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Navigating Economic Divergence and Market Expectations

Cost of Capital and Valuation in 2026



Presented by:

Anas Aboulamer, PhD
James P. Harrington

12 November 2026

Our Evolution

Trusted Partner for Nearly 100 Years

Serving clients in 140 markets across nearly every industry and sector

STORIED BRAND
1932-2004

- Duff & Phelps founded as investment research firm

NEW FIRM, EXPANDING CAPABILITIES
2005-2020

- Started as valuation and corporate finance advisor
- Rapid growth into other governance, risk, compliance and complementary solutions
- Acquired 30+ businesses, including Kroll

ONE TEAM, ONE KROLL
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- Duff & Phelps rebrands as Kroll and completes brand unification
- Acquired Crisp and Resolver risk companies
- Acquired AVC Ltd. to create dedicated energy team within FAAS practice
- Talent Acquisition of the BFI Team to strengthen and expand valuation services in the Netherlands

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Anas Aboulamer



Director of Research

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Background

- Anas Aboulamer, Ph.D., is Director of Research on Cost of Capital in Kroll's Valuation Digital Solution group, where he leads the firm's thought leadership on cost of capital. He regularly publishes research on cost of capital, valuation, risk and capital markets. He has more than 15 years of experience conducting and leading economic and financial research, with expertise in asset pricing and risk and return.
- Anas is a co-author of the 2021, 2022, 2023 and 2025 updates of the *Valuation Handbook – International Guide to Cost of Capital: Summary Edition*, published by the CFA Institute Research Foundation, and co-authored the chapter "Cost of Capital for Companies in Distress" in *Valuation for INSOLvency Practitioners*, published by INSOL.
- His research has appeared in peer-reviewed journals, including the *Journal of Empirical Finance*, and he has presented at academic and practitioner conferences.
- He also co-authored Kroll's 2023 ESG and Global Investor Returns Study, examining the relationship between ESG ratings and historical returns across more than 13,000 public companies.
- Earlier in his career, Anas held research roles at Brandywine Global Assets Management and BCA Research. He is a member of the editorial board of *Business Valuation Review*.
- Anas holds a Ph.D. in finance from the joint Concordia–McGill–HEC program in Montreal. He was a visiting assistant professor of finance at the Smeal College of Business at Pennsylvania State University and has taught finance in executive programs internationally.

James P. Harrington



Director

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james.harrington@kroll.com

Background

James P. Harrington is a Director at Kroll (previously Duff & Phelps) James is a member of the Kroll Valuation Digital Solutions group, which produces cost of capital thought leadership content and data housed in the Cost of Capital Navigator at kroll.com/costofcapitalnavigator.

- James provides technical support on client engagements involving cost of capital and is a leading contributor to Kroll's efforts in the development of studies, surveys, and online content and tools.
- Previously, James was director of valuation research in Morningstar's Financial Communications Business where he led the group that produced the Stocks, Bonds, Bills, and Inflation® (SBBI®) Valuation Yearbook, Stocks, Bonds, Bills, and Inflation® (SBBI®) Classic Yearbook, Cost of Capital Yearbook, various international cost of capital reports, and created a website dedicated to cost of capital issues.
- James is co-author of the "Valuation Handbook" series with colleagues Carla Nunes and Roger Grabowski. The four Valuation Handbooks were published as physical books starting in 2014; as of 2021 the information and data previously published in the Valuation Handbooks has been transitioned over to the Cost of Capital Navigator at kroll.com/costofcapitalnavigator.
- James is co-author of the Stocks, Bonds, Bills, and Inflation® (SBBI®) 2021 Summary Edition with Roger Ibbotson (Professor in the Practice Emeritus of Finance at Yale School of Management). The SBBI® 2021 Summary Edition is produced in a partnership of Kroll, the CFA Institute Research Foundation, and Morningstar, Inc.
- James is a contributing author to Cost of Capital: Applications and Examples, 5th edition, by Shannon P. Pratt and Roger J. Grabowski (John Wiley & Sons, Inc., 2014).
- James is a contributing author to Shannon Pratt's Valuing a Business – The Analysis and Appraisal of Closely Held Companies, Sixth ed. (McGraw-Hill, 2022).
- James was a co-author of the Kroll's "ESG and Global Investor Returns Study" (2023) which examined the relationship between historical returns of over 13,000 publicly traded companies across a variety of geographies and industries and their ESG ratings to determine the correlation of ESG ratings to company performance.

Themes that Dominated 2026 and Could Extend into 2027

- Tariffs and their impact on growth and inflation
- Artificial intelligence build up and its potential productivity
- The energy shock from the war in Iran and Ukraine and its implication on inflation
- The worsening fiscal position of different developed economies and the impact of higher interest rates
- The U.S. mid term elections and its potential impact on policies

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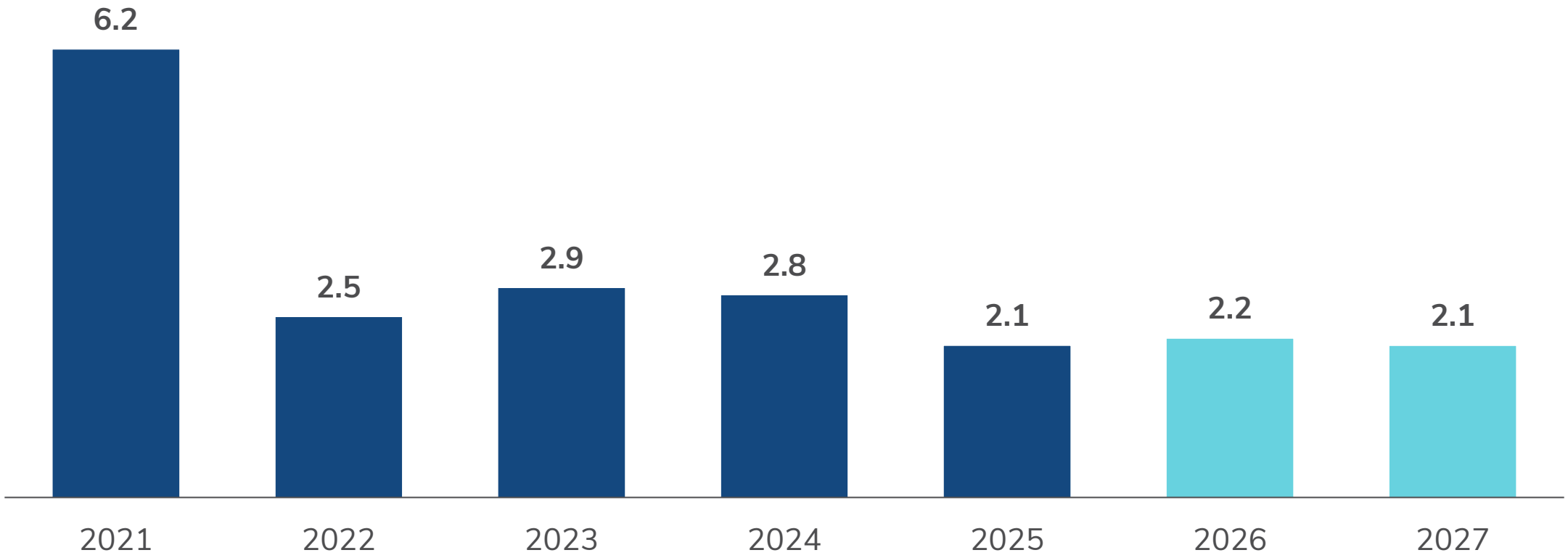
01

Economic Growth Around the World



Real GDP Growth (%) Estimates by Region: U.S.

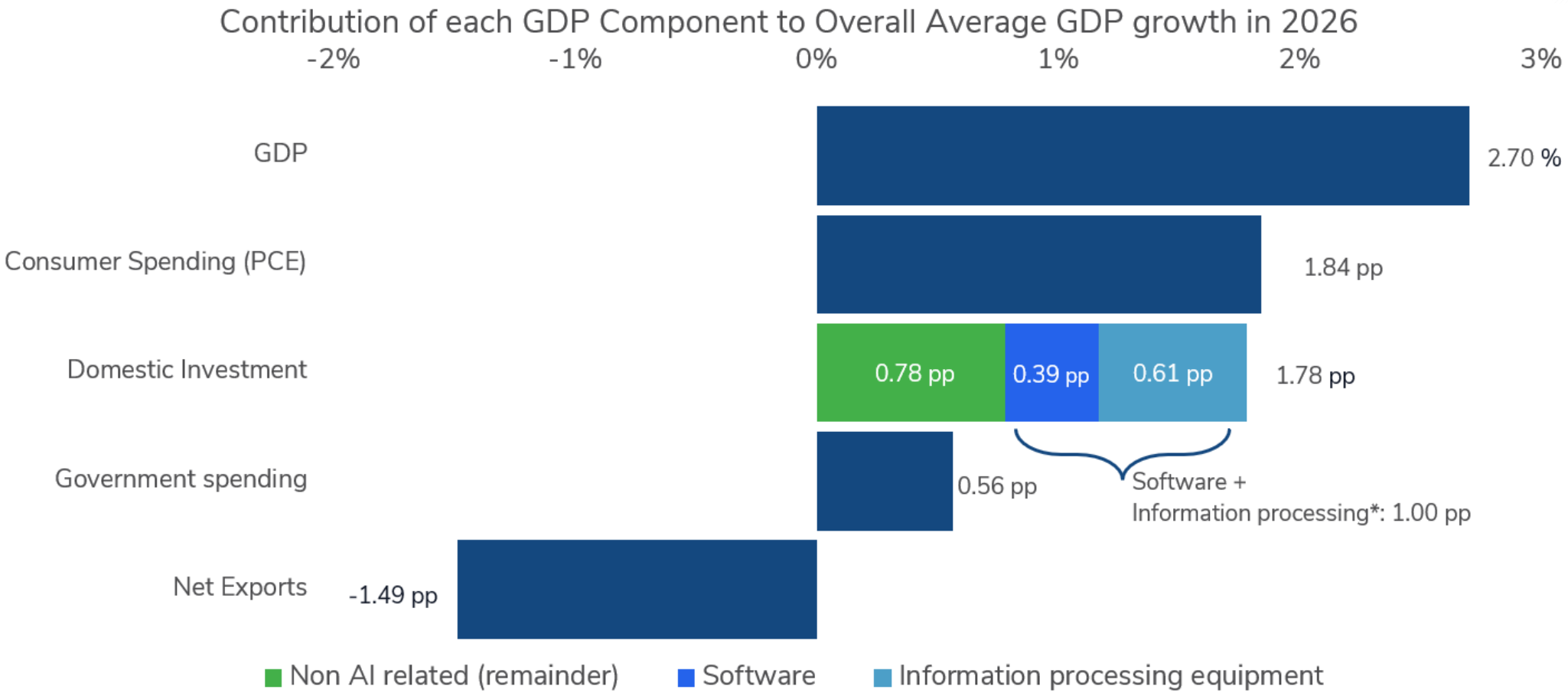
Data as of October 30, 2026



Sources: OECD, International Monetary Fund, World Bank, Blue Chip Economic Indicators, Consensus Economics, BMI, A Fitch Solutions Company, Economic Intelligence Unit, Fitch Ratings, S&P Global Market Intelligence (formerly IHS Markit), Oxford Economics and S&P Global Ratings

U.S. Consumer Spending Remain Strong AI Investment Lent Some Support



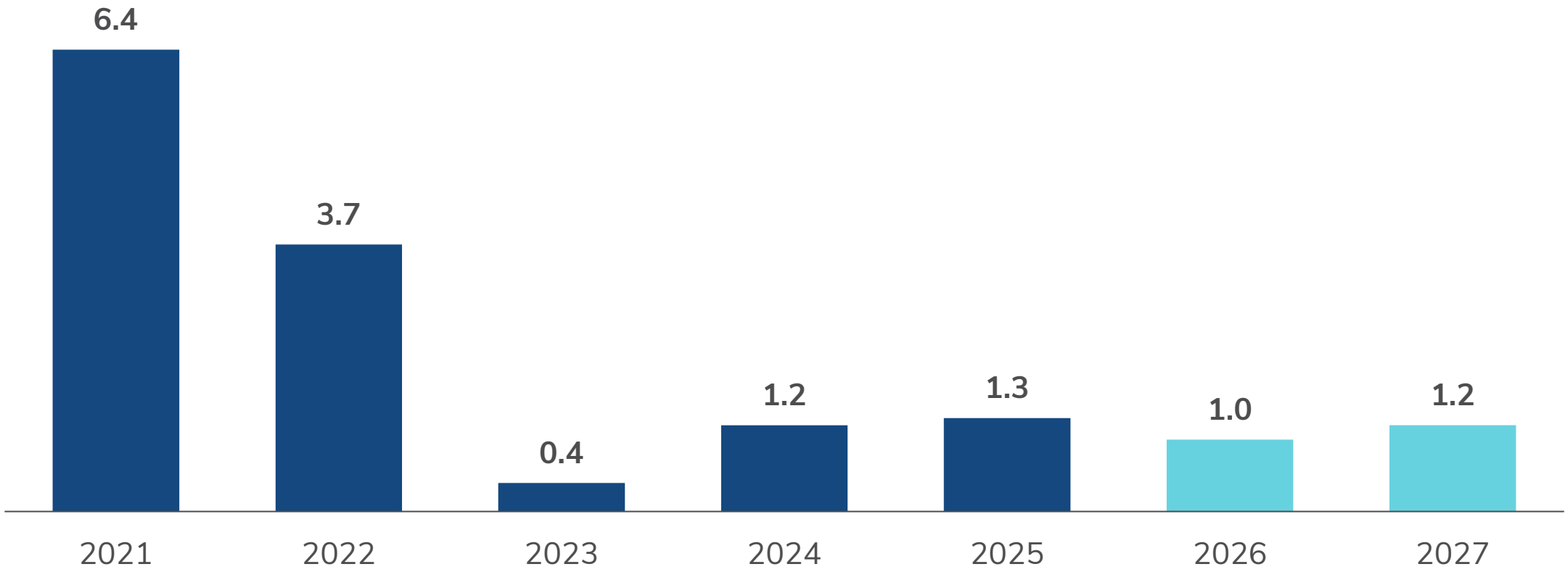


*Software and information-processing equipment are broad proxies; BEA data do not isolate AI-related investment. However, imported equipment and software is a drag on this contribution. Not all equipment and software is AI related. Data center structures could also be considered part of the AI investment.

Source: Bureau of Economic Analysis (BEA). GDP real growth and its components are calculated as the average annualized growth over the first three quarters of 2026.

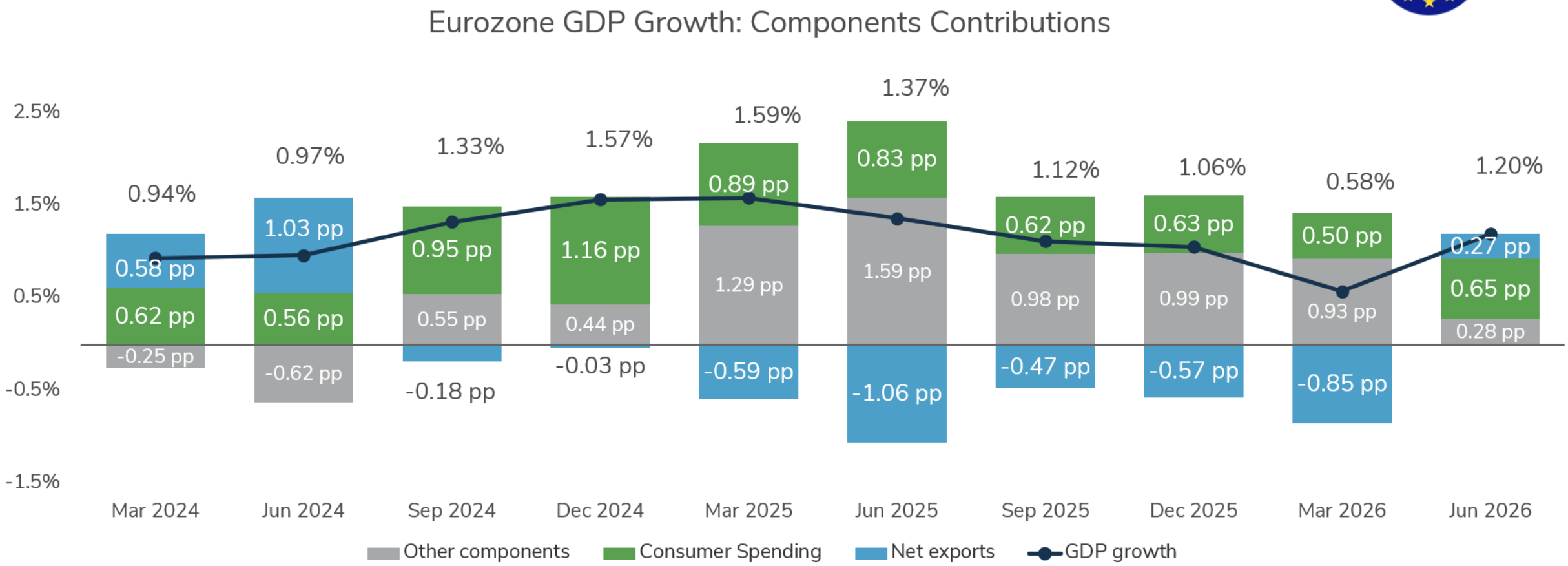
Real GDP Growth (%) Estimates by Region: Eurozone

Data as of October 30, 2026



Sources: OECD, International Monetary Fund, World Bank, Blue Chip Economic Indicators, Consensus Economics, BMI, A Fitch Solutions Company, Economic Intelligence Unit, Fitch Ratings, S&P Global Market Intelligence (formerly IHS Markit), Oxford Economics and S&P Global Ratings

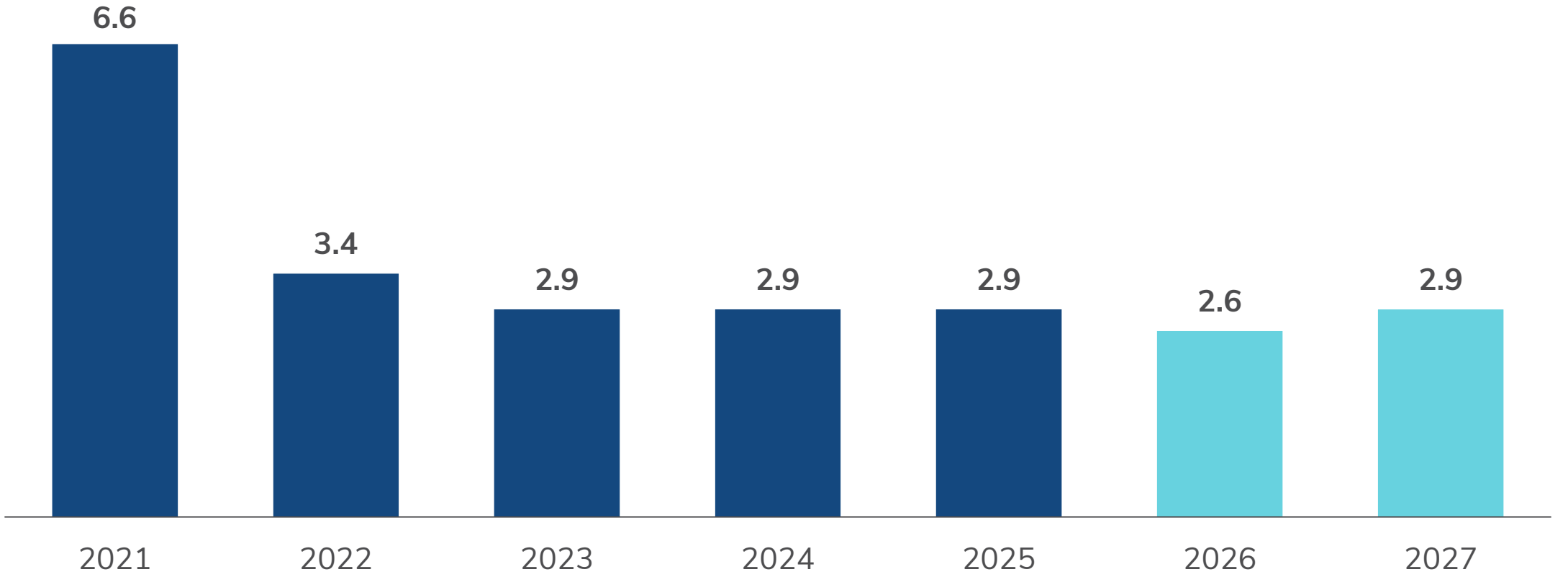
Eurozone Kept Spending As Net Exports Fell



Source: Eurostat

Real GDP Growth (%) Estimates by Region: World

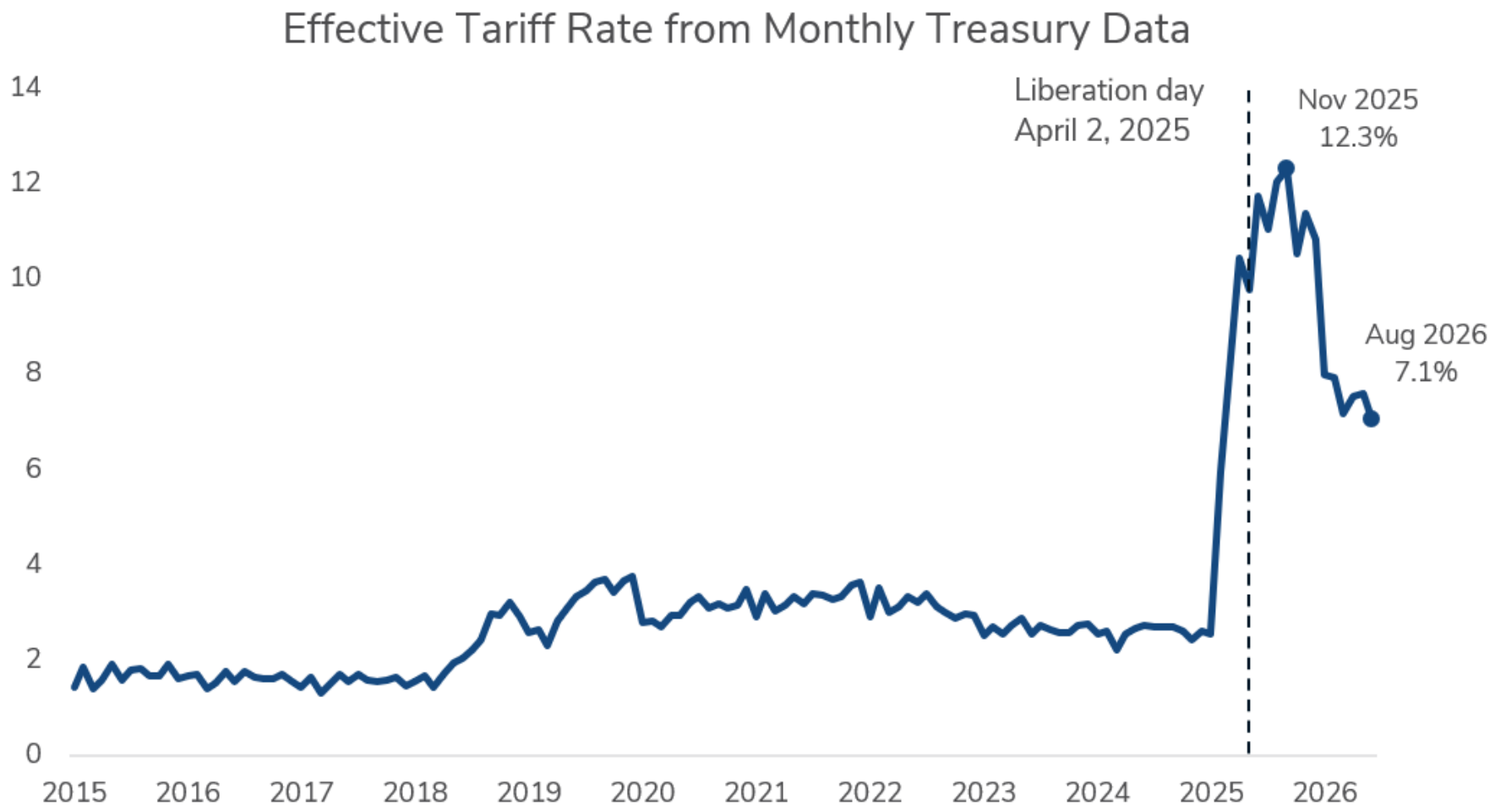
Data as of October 30, 2026



Sources: OECD, International Monetary Fund, World Bank, Blue Chip Economic Indicators, Consensus Economics, BMI, A Fitch Solutions Company, Economic Intelligence Unit, Fitch Ratings, S&P Global Market Intelligence (formerly IHS Markit), Oxford Economics and S&P Global Ratings

Effective Gross Tariff Rates Have Moderated Since They Were First Announced





Gross customs receipts before refunds, divided by the same month's imports for consumption. Duties are generally paid about a month after goods enter, so monthly ratios blur timing. The Treasury series begins in March 2015.

Source: The Yale's Budget Lab analysis from Monthly Treasury Statement, Table 4; U.S. Census Bureau; https://budgetlab.yale.edu/research/state-us-tariffs

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02

Tariffs, Energy and Inflation



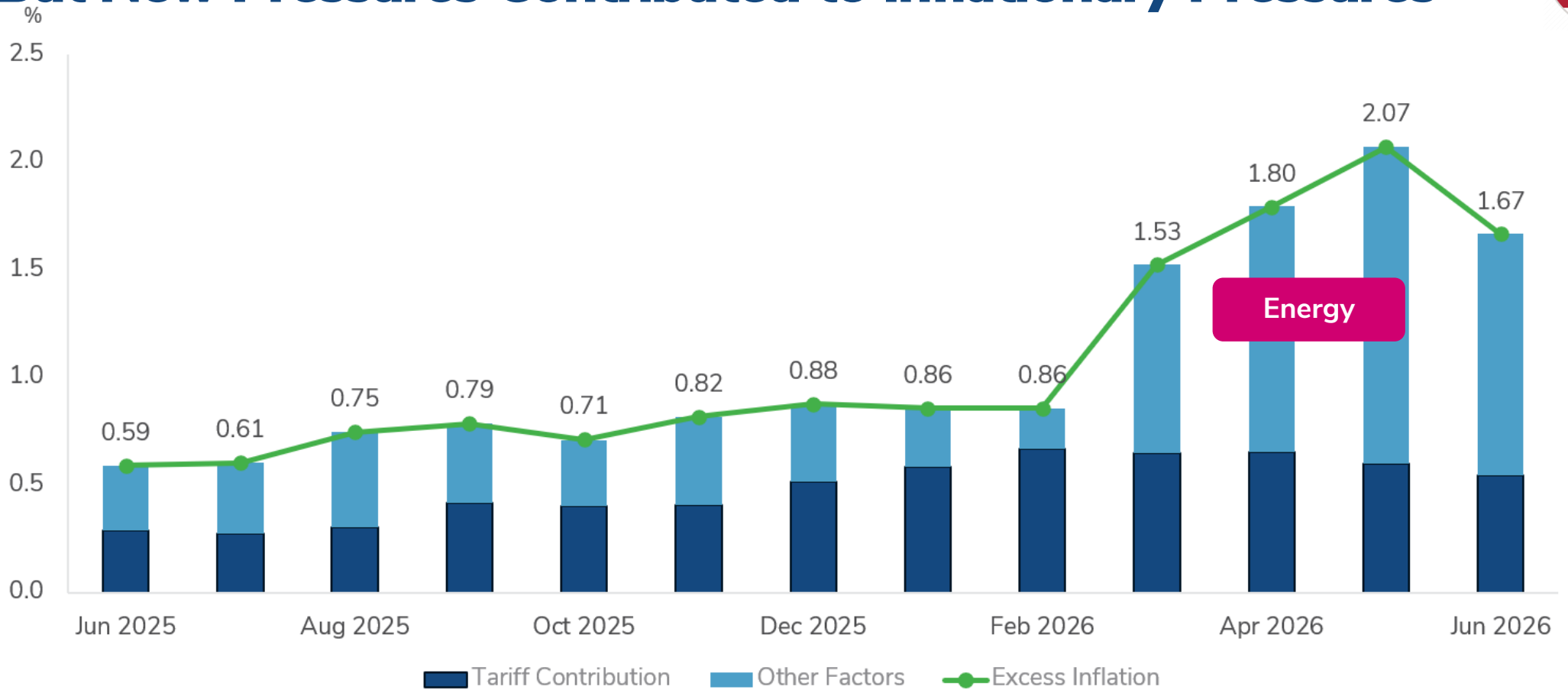
The Tariff Shock Did Not Cause As Much Disruption As Expected but Did Add Moderately to Inflation

Minneapolis Fed Staff Report found that:

- **Import front-loading cushioned the initial shock:** Firms brought purchases forward ahead of announced tariff hikes.
- **Tariffs hit goods unevenly:** 2025 increases were larger on consumer goods (+13 pp) and intermediate inputs (+9 pp) than on capital goods (+6 pp).
- **AI investment supported imports and activity:** Capital goods tied to the investment boom were relatively less exposed.
- **Resilience came with an inflation cost:** The model finds a smaller output hit, but tariffs on consumer and intermediate goods added inflation pressure.

Source: Ferrante, Francesco, Andrea Prestipino, Andrea Raffo, and Michael E. Waugh. 2026. "Tariffs, Investment, and the Missing Trade Collapse." *Federal Reserve Bank of Minneapolis Staff Report* 686. https://doi.org/10.21034/sr.686

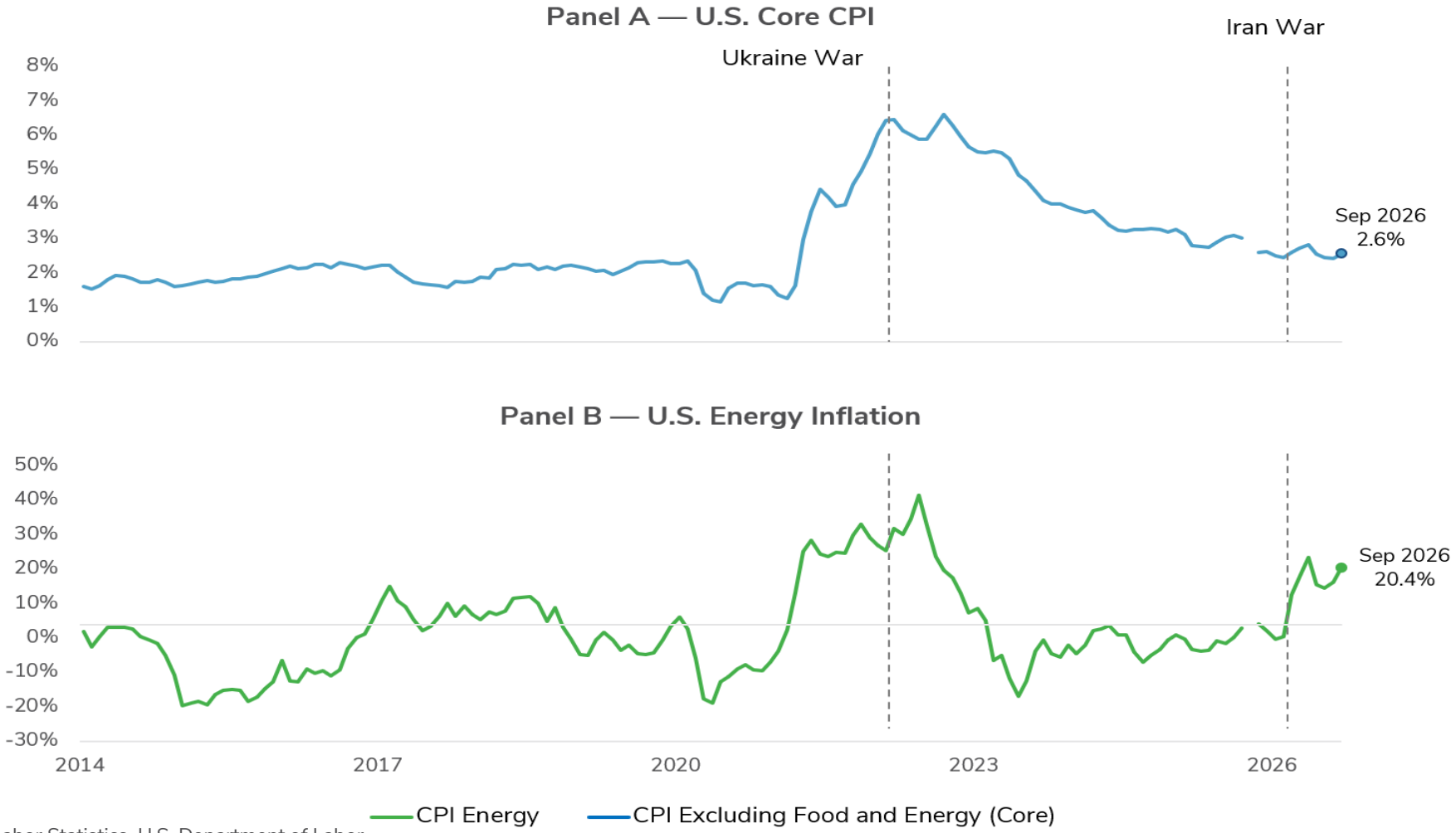
The Impact of Tariffs leveled off in February 2026, But New Pressures Contributed to Inflationary Pressures



Source: Maximiliano A. Dvorkin, Fernando Leibovici, Melanie LeTourneau, and Ana Maria Santacreu, "Tariff Effects on Inflation Stabilize in Recent Months," St. Louis Fed On the Economy, August 18, 2026. https://www.stlouisfed.org/on-the-economy/2026/aug/tariff-effects-inflation-stabilize-recent-months

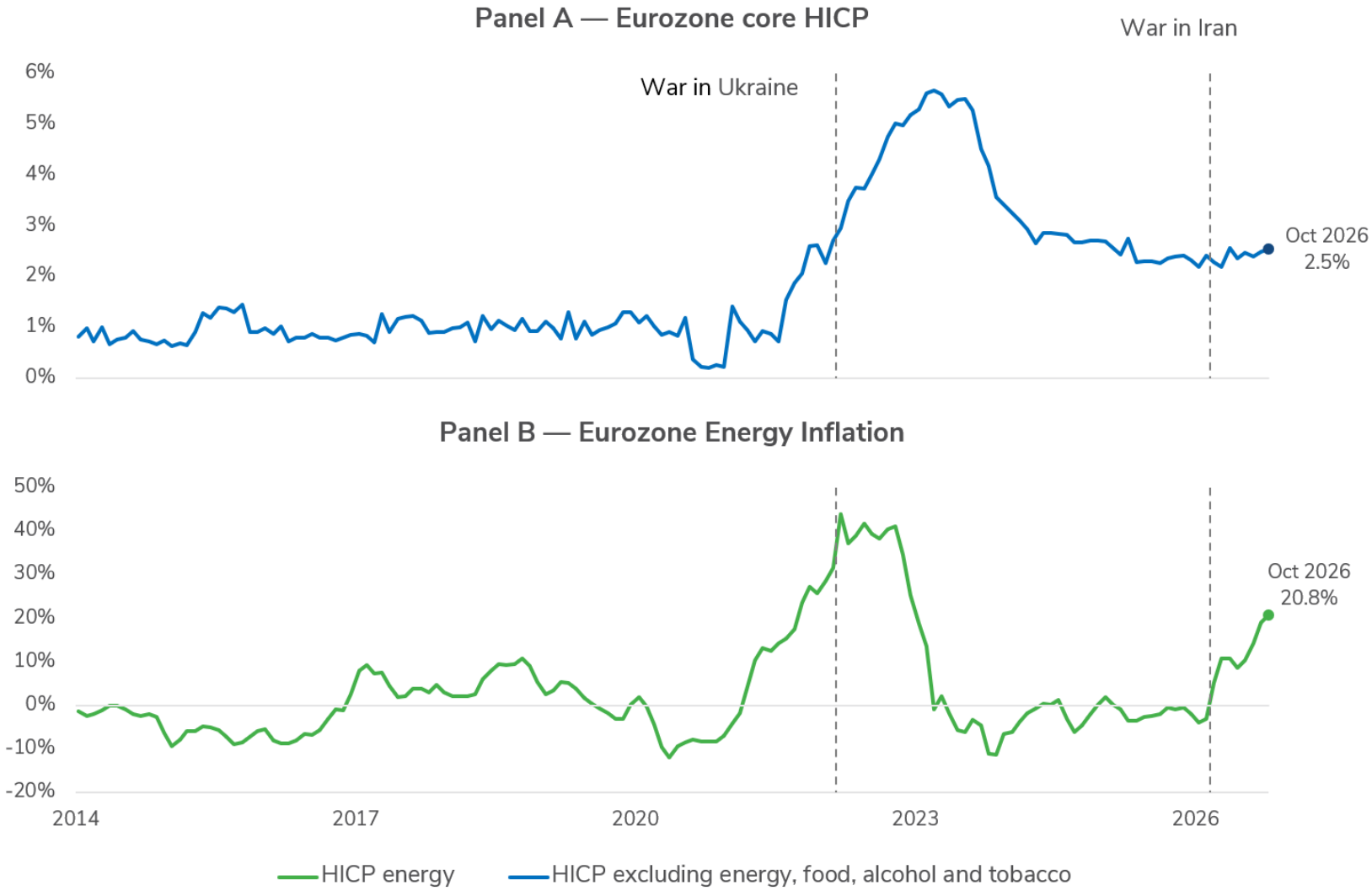
Energy Inflation Rebounds, Raising the Risk of Renewed Pressure on Underlying Inflation





Source: Bureau of Labor Statistics, U.S. Department of Labor

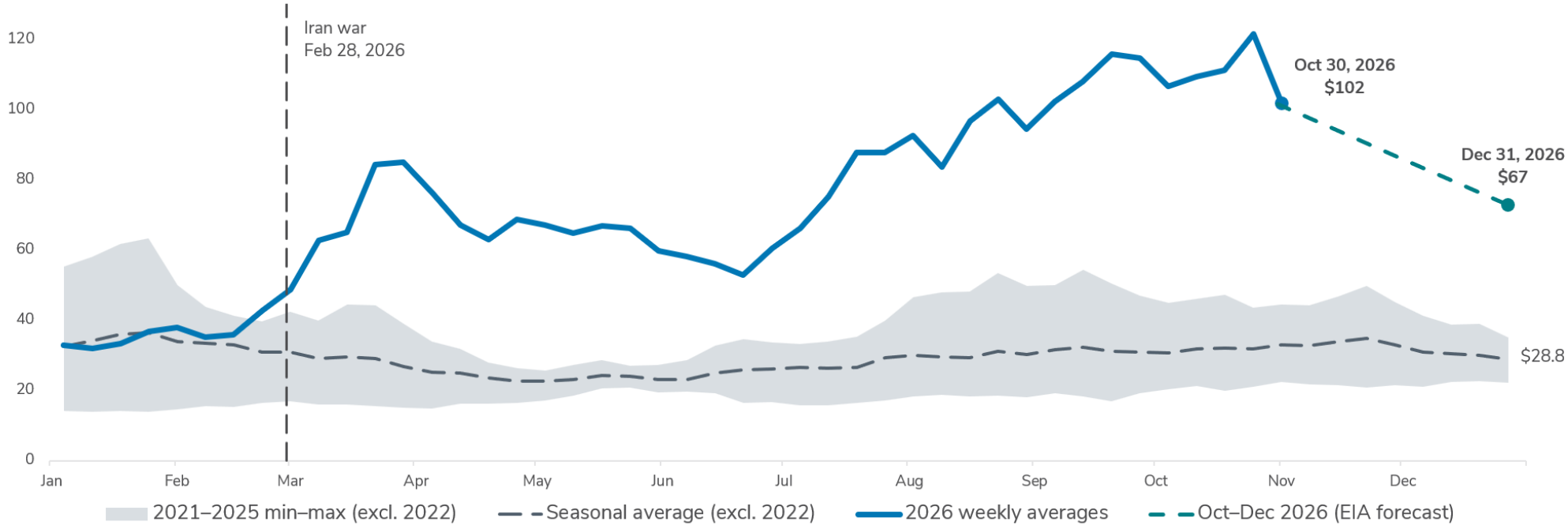
Energy Inflation Rebounds as Eurozone Inflation Remains Above Target



Source: Eurostat

It's Not Only About Crude, Refining Capacity As Well

Crack Spread Is Forecasted to Ease but It Is Expected to Be More Than Twice The Average

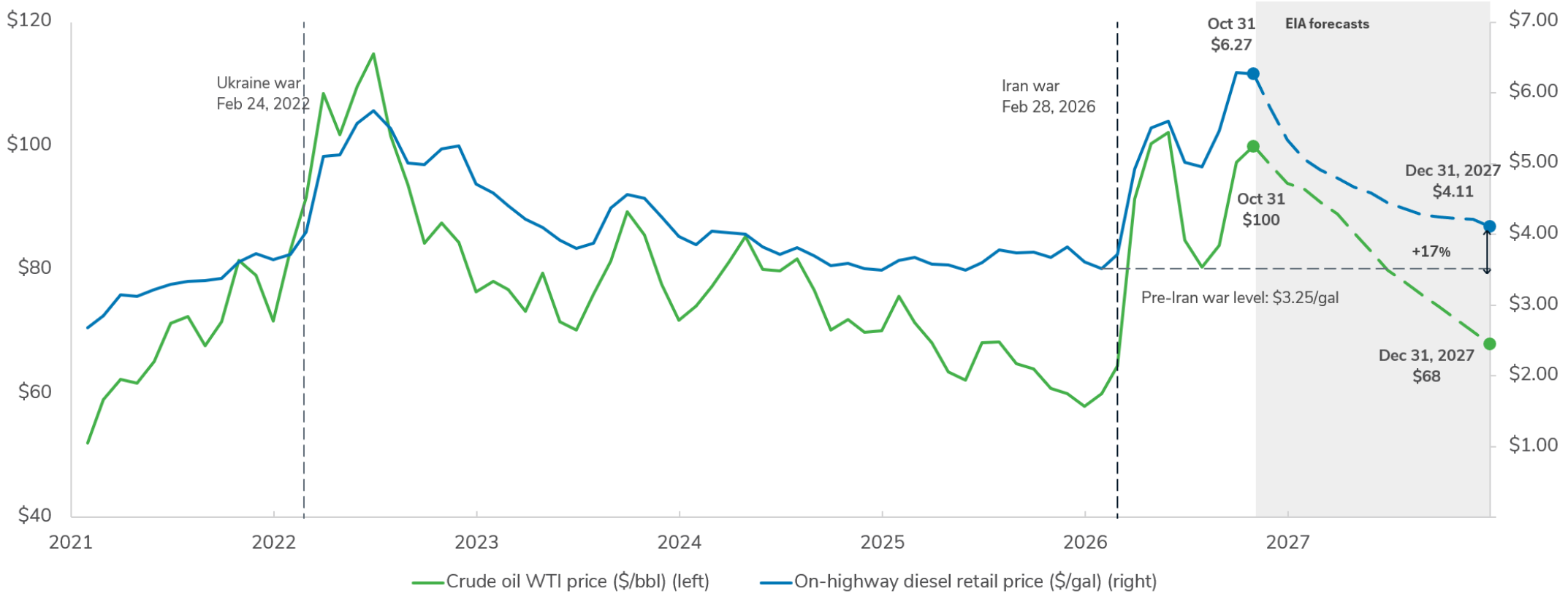


Diesel–crude premiums (USD/barrel) = diesel spot price - New York Harbor ULSD (USD/gallon) × 42 – crude spot price - Cushing WTI (USD/barrel). Gray band and dashed average: 2021, 2023, 2024 and 2025 weekly spreads; 2022 excluded from both. Average gives each year equal weight. The separate 2022 comparison line is unchanged.

Source: U.S. Energy Information Administration (EIA), weekly spot prices of wholesale Diesel and Crude Oil. Monthly forecasts from EIA Short-Term Energy Outlook as of October 6, 2026. Calculations by Kroll.

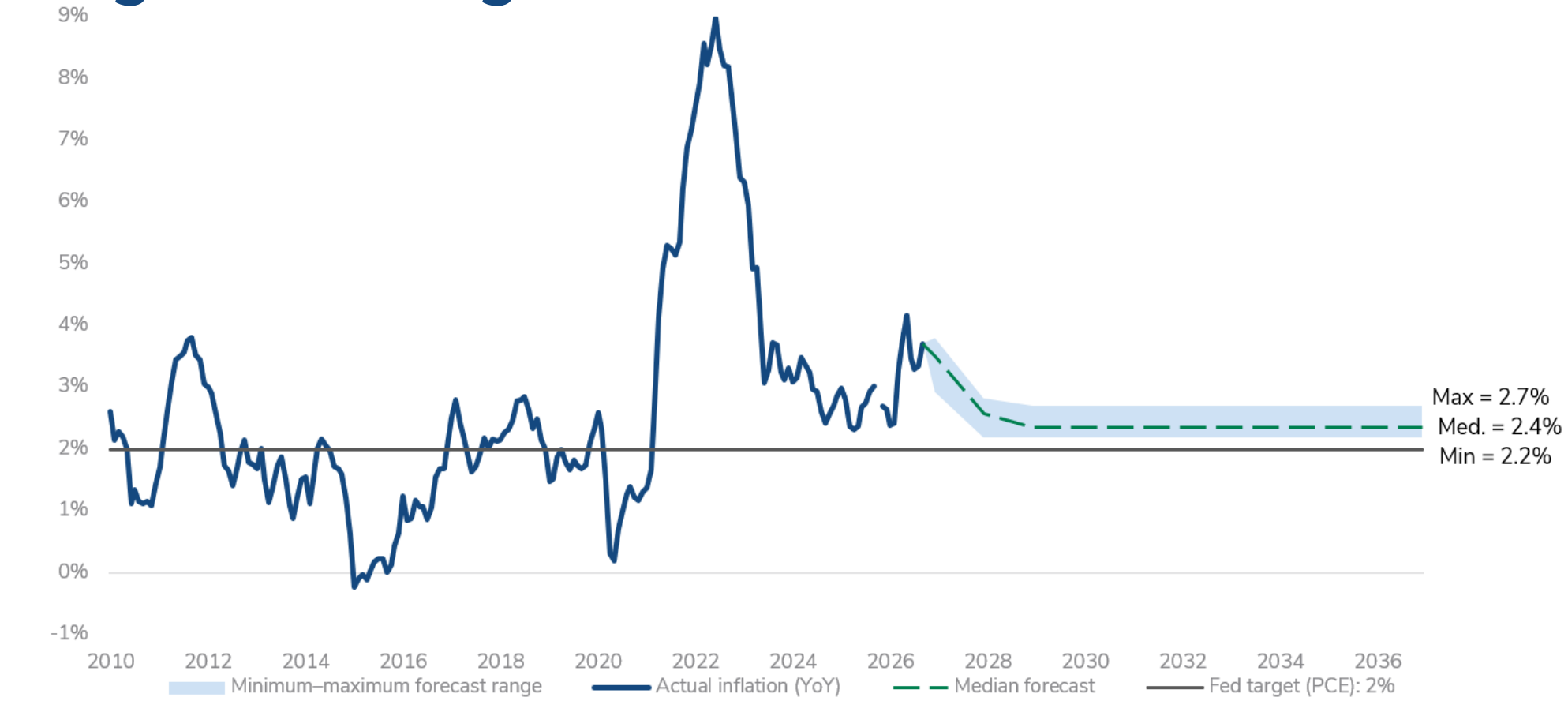
Diesel Prices Are Forecasted to Remain Above Prewar Levels Through End of 2027





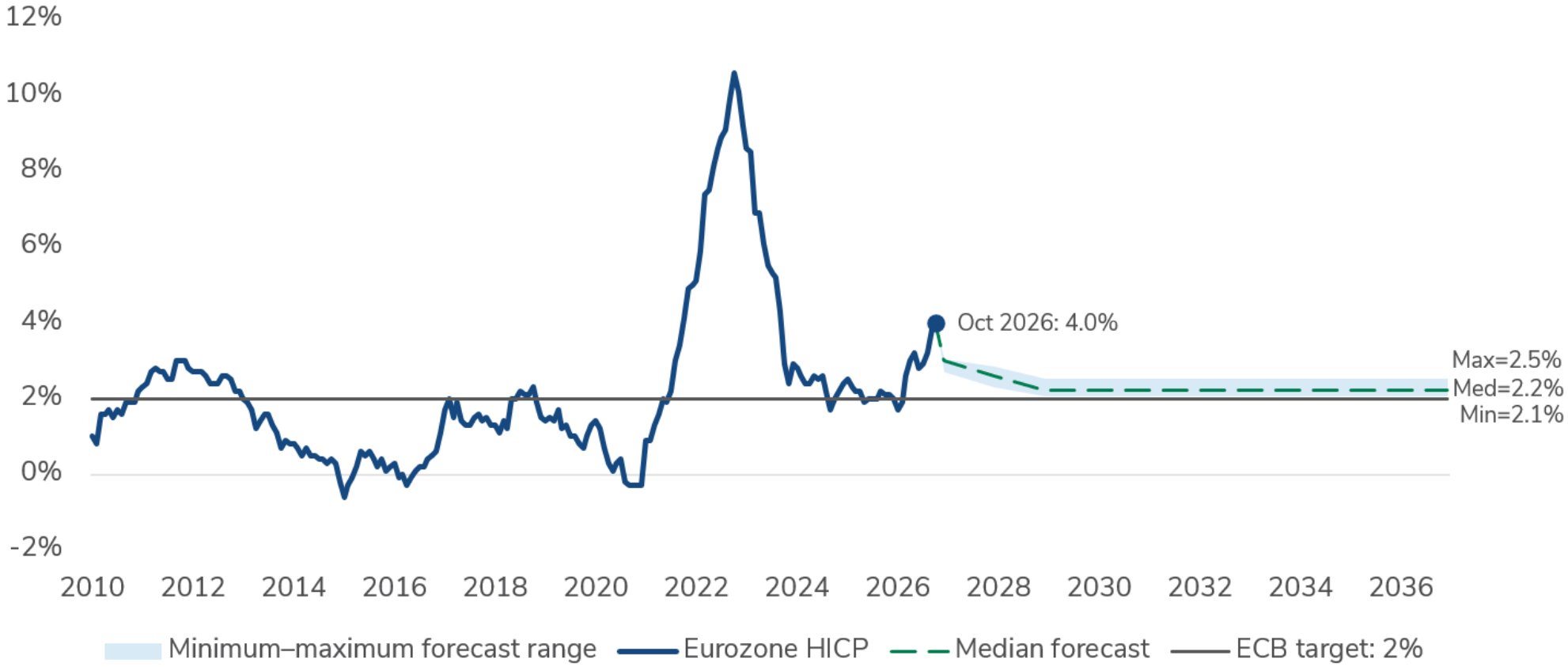
Source: U.S. Energy Information Administration (EIA), Short-Term Energy Outlook. Forecasts as of October 6, 2026.

Analyst Forecasts: U.S. Inflation is Expected to Drop to a Long-Term Average of 2.4%



Source: U.S. Bureau of Labor Statistics. Consumer Price Index for All Urban Consumers: All Items in U.S. City Average. Forecasts are obtained from: Aruoba Term Structure of Inflation Expectations, Blue Chip Economic Indicators, Blue Chip Financial Forecasts , BMI, a Fitch Solutions Company, Cleveland Federal Reserve , Consensus Economics, IHS Markit (S&P Global Market Intelligence), Livingston Survey (Federal Reserve Bank of Philadelphia), Survey of Professional Forecasters (Federal Reserve Bank of Philadelphia)

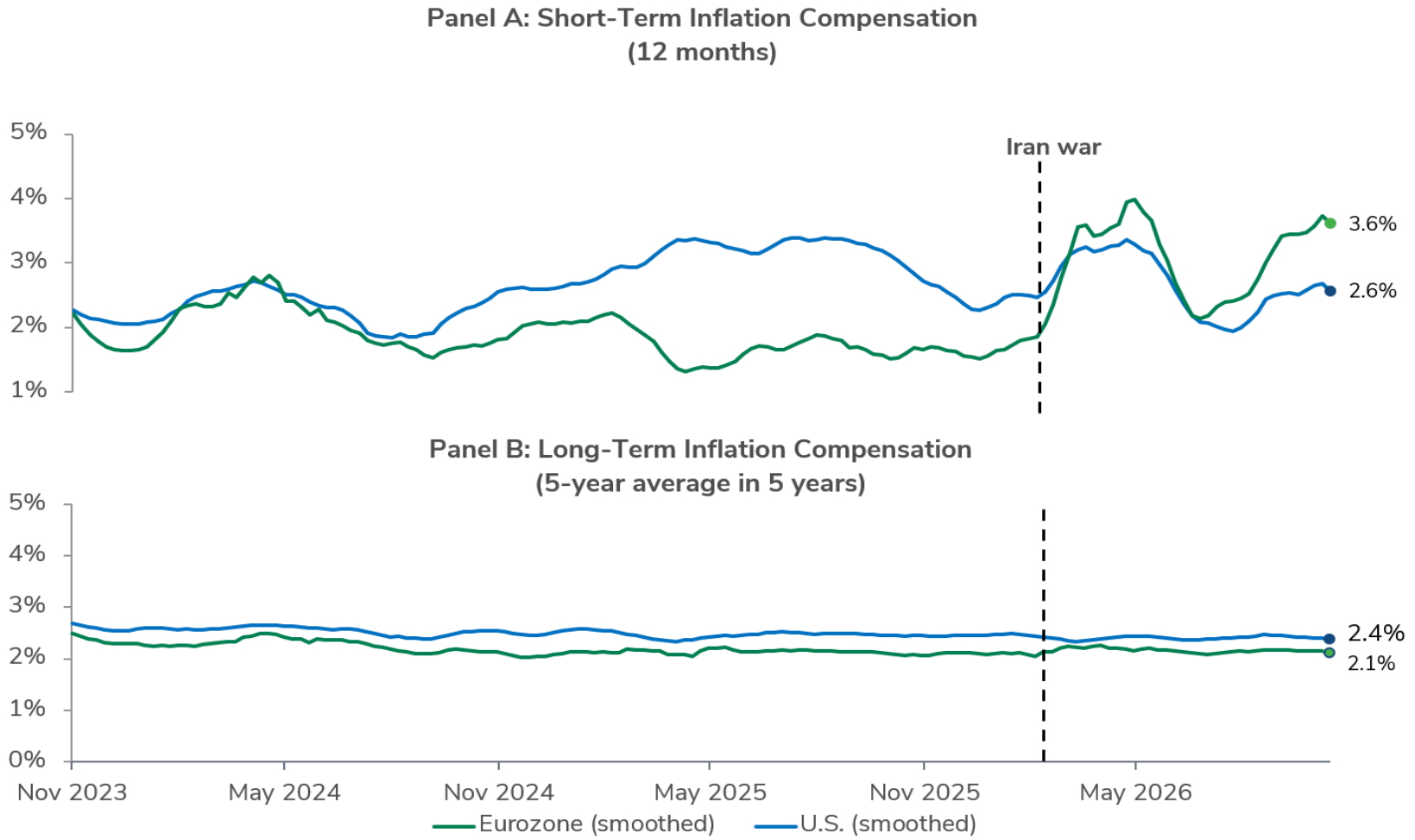
Analyst Forecasts: Eurozone Inflation is Expected to Drop to a Long-Term average of 2.2%



Source: Eurostat HICP Eurozone.. Forecasts are obtained from BMI, a Fitch Solutions Company, Consensus Forecasts, ECB - Survey of Professional Forecasters, ECB staff macro projections (September 2026), IHS Markit (S&P Global Market Intelligence), IMF World Economic Outlook, PwC Global Economic Watch

Zero-Coupon Inflation Swaps Imply that Inflation Rises Short Term, While Longer-Term Measures Remain Stable

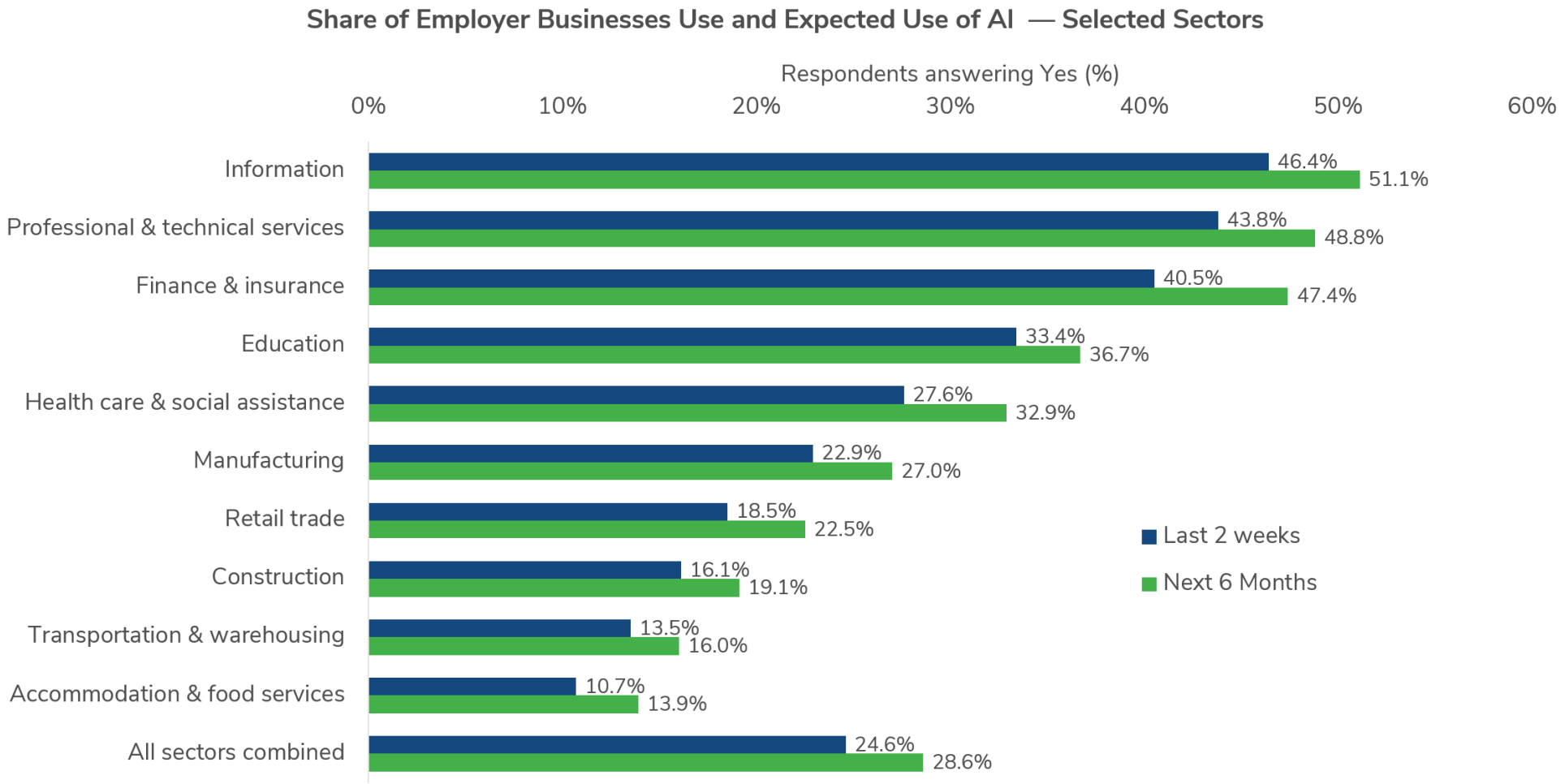




Source: LSEG Datastream. Inflation compensation from zero-coupon inflation swaps; 5-year average Inflation Compensation in 5 years calculated from 5Y and 10-year swaps. 4-week moving average shown. Kroll's calculations.

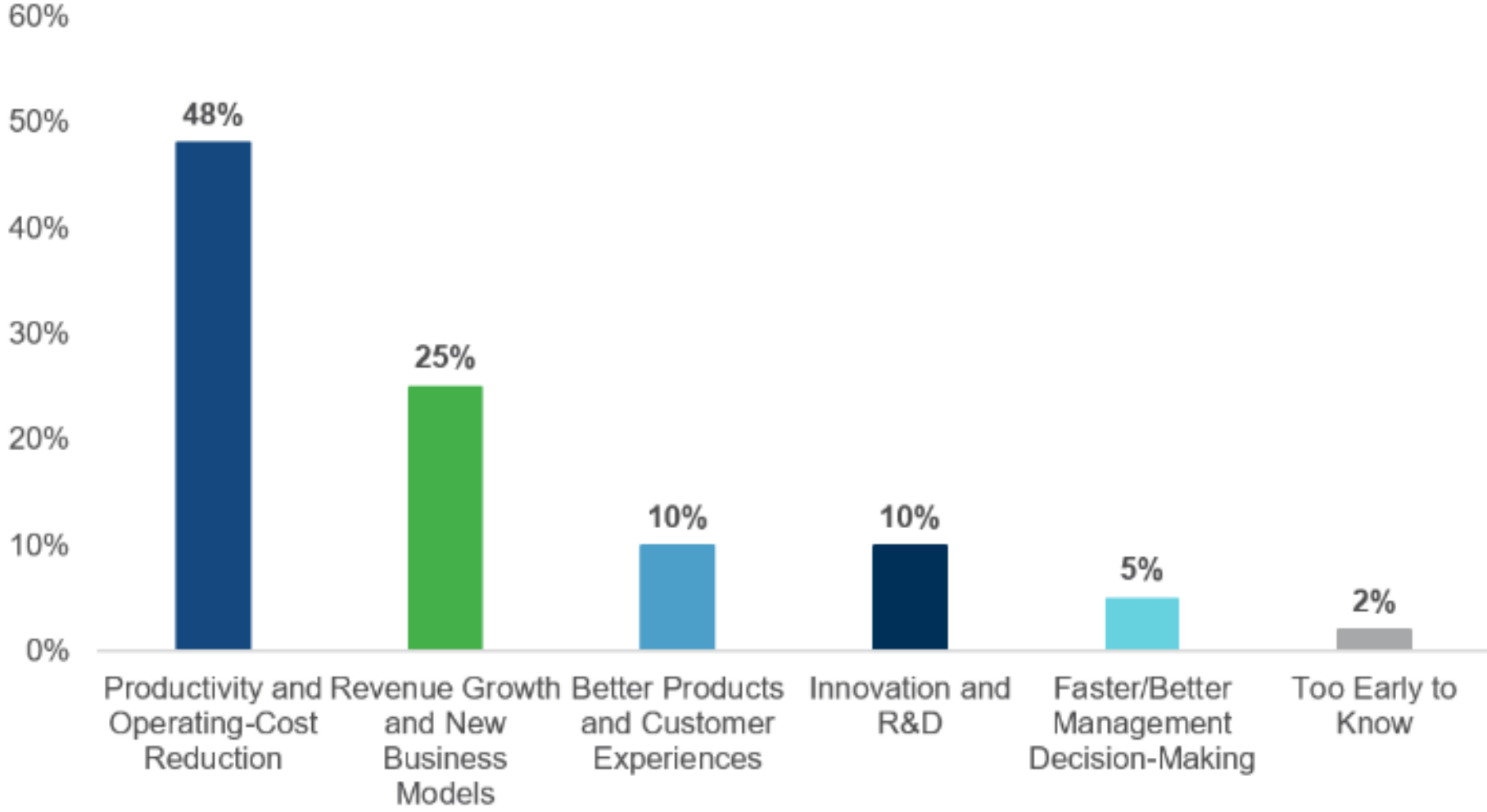
One in Four Businesses Uses AI, with Adoption Varying Widely Across Sectors





Source: Census Bureau Business Trends and Outlook Survey (BTOS). Not all sectors are reported. Survey as of as of October 18, 2026.

U.S. CEOs Expect AI to Increase Productivity and Lower Costs Over The Next 3 Years



Source: The Conference Board *Measure of CEO Confidence* ™ in collaboration with The Business Council, Q4 2026

Potential Implications of Divided Government for Valuation and the Cost of Capital

- **AI investment and productivity:** Tighter regulation could slow data-center and supporting energy-infrastructure expansion, weakening near-term investment growth and delaying AI adoption and productivity gains.
- **Political gridlock:** Divided government could make major legislation more difficult to pass, limiting changes to fiscal and regulatory policy. Budget disputes and a potential debt-ceiling standoff could also increase market volatility and short-term Treasury borrowing costs.
- **Fiscal policy:** Divided government could limit new deficit-financed spending or tax cuts, but also make deficit reduction more difficult. The impact on Treasury yields will depend on the resulting fiscal outlook.
- **Geopolitical and trade risks:** Greater pressure for diplomacy and constraints on new tariffs could ease oil-price pressures and inflation uncertainty.

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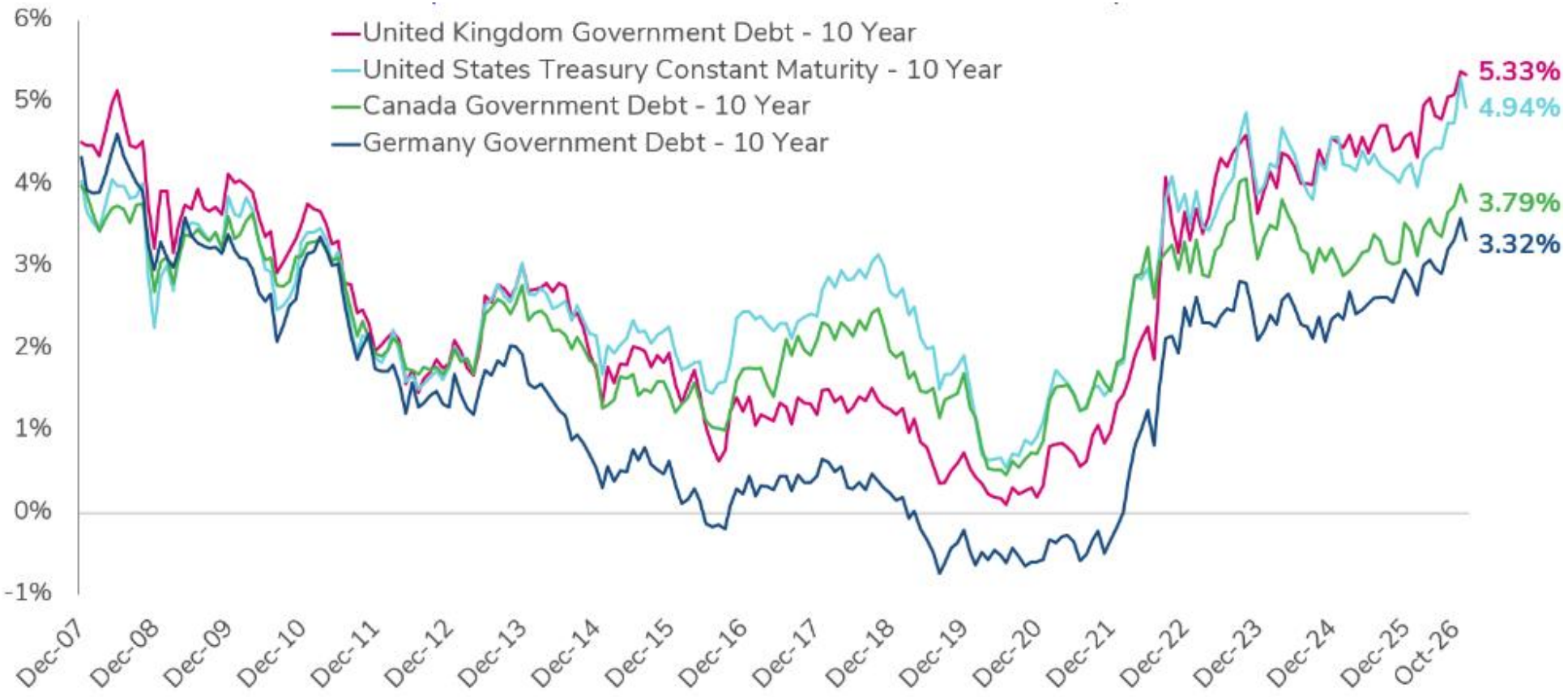
03

Interest Rates Analysis



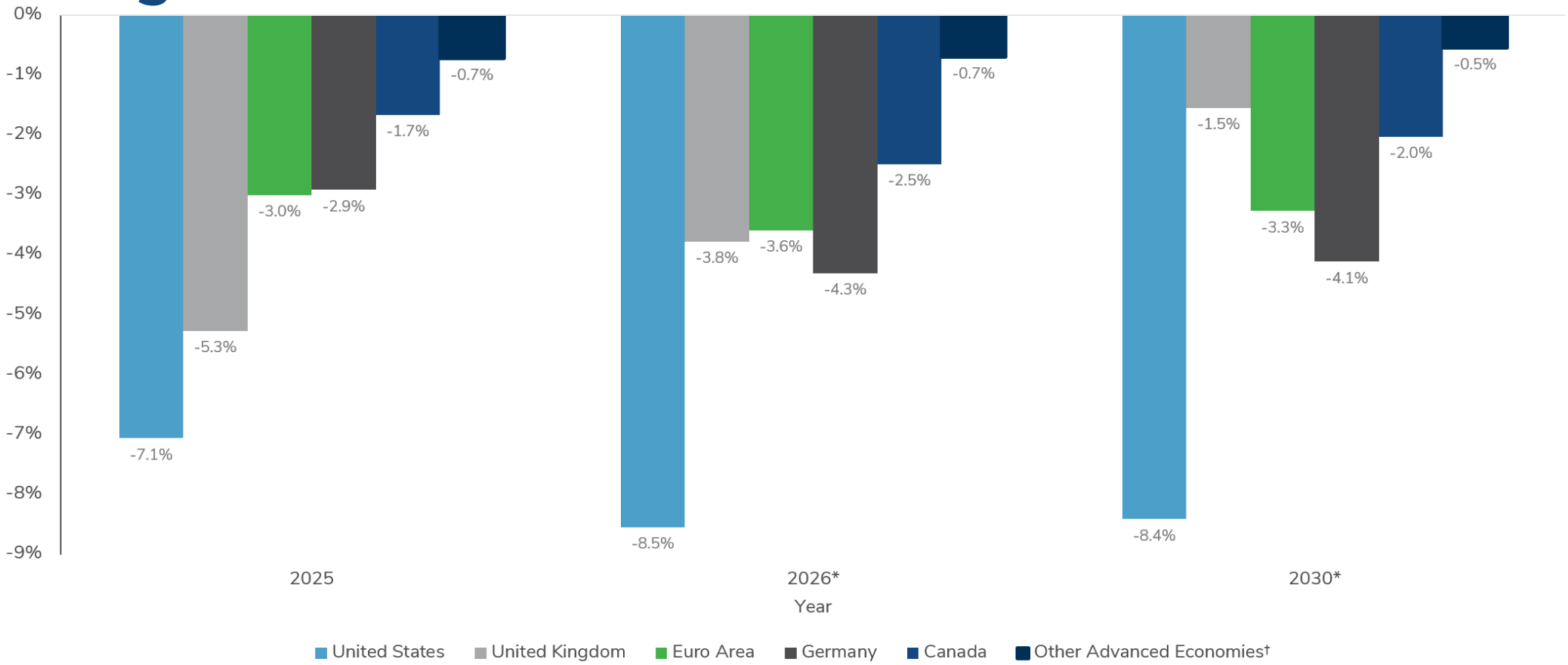
10-Year Yields for U.K., U.S., Canada, and Germany

December 31, 2007 – October 30, 2026



Source: Capital IQ

Fiscal Deficits Diverge Across Advanced Economies, with the U.S. Remaining the Outlier



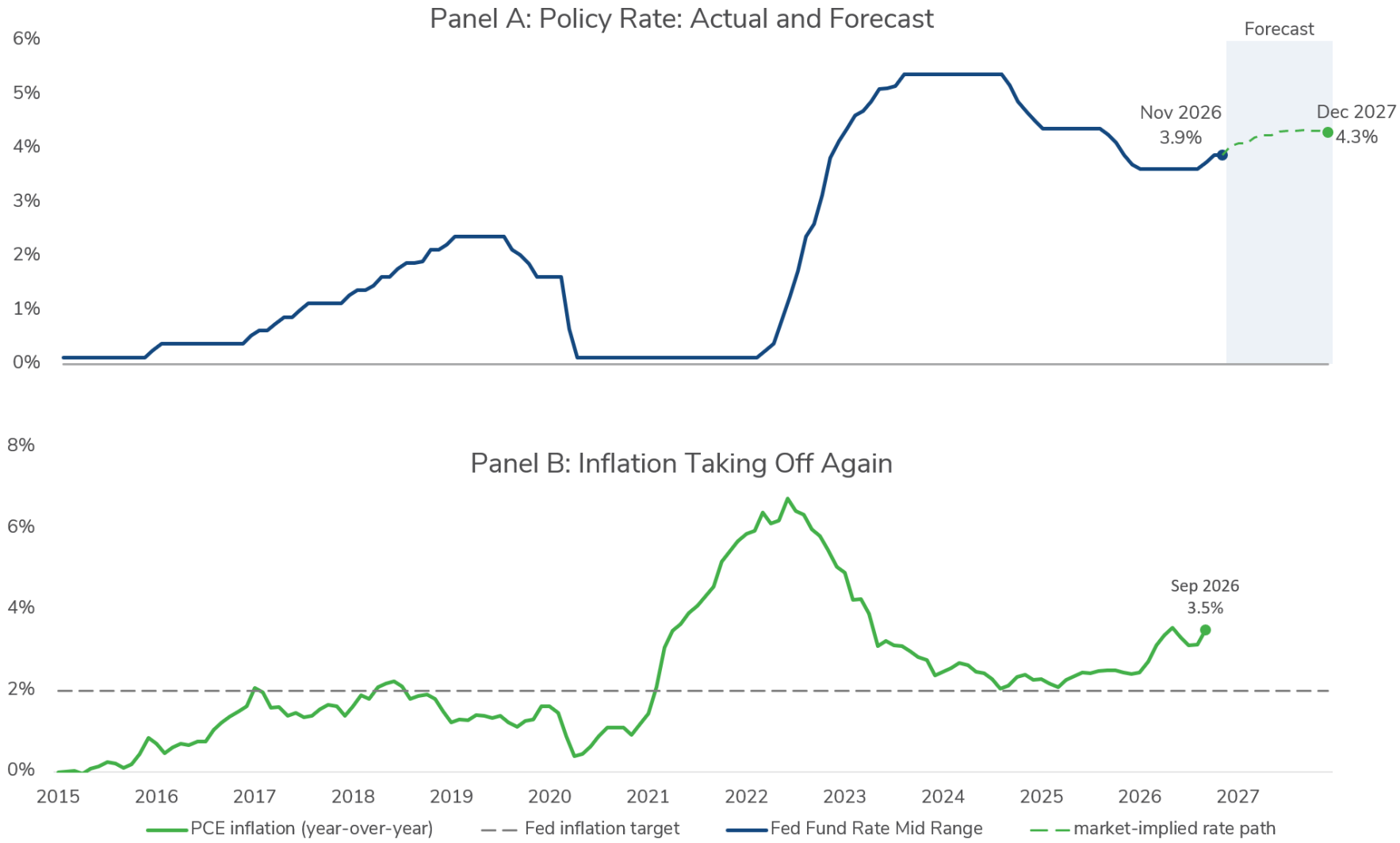
* International Monetary Fund forecasts

† Other Advanced countries: Andorra, Australia, Czech Republic, Denmark, Hong Kong SAR, Iceland, Israel, Korea, Liechtenstein, Macao SAR, New Zealand, Norway, Puerto Rico, San Marino, Singapore, Sweden, Switzerland, and Taiwan

Source: World Economic Outlook (WEO), International Monetary Fund (IMF), October 2026. Fiscal balance is calculated as the percentage of General Government Net Lending / Borrowing as a percentage of GDP. Fiscal balance of Other Advanced Economies is aggregated using current GDP weights forecasts as of the corresponding year.

U.S. Fed Struggled with Getting Inflation Back to Target

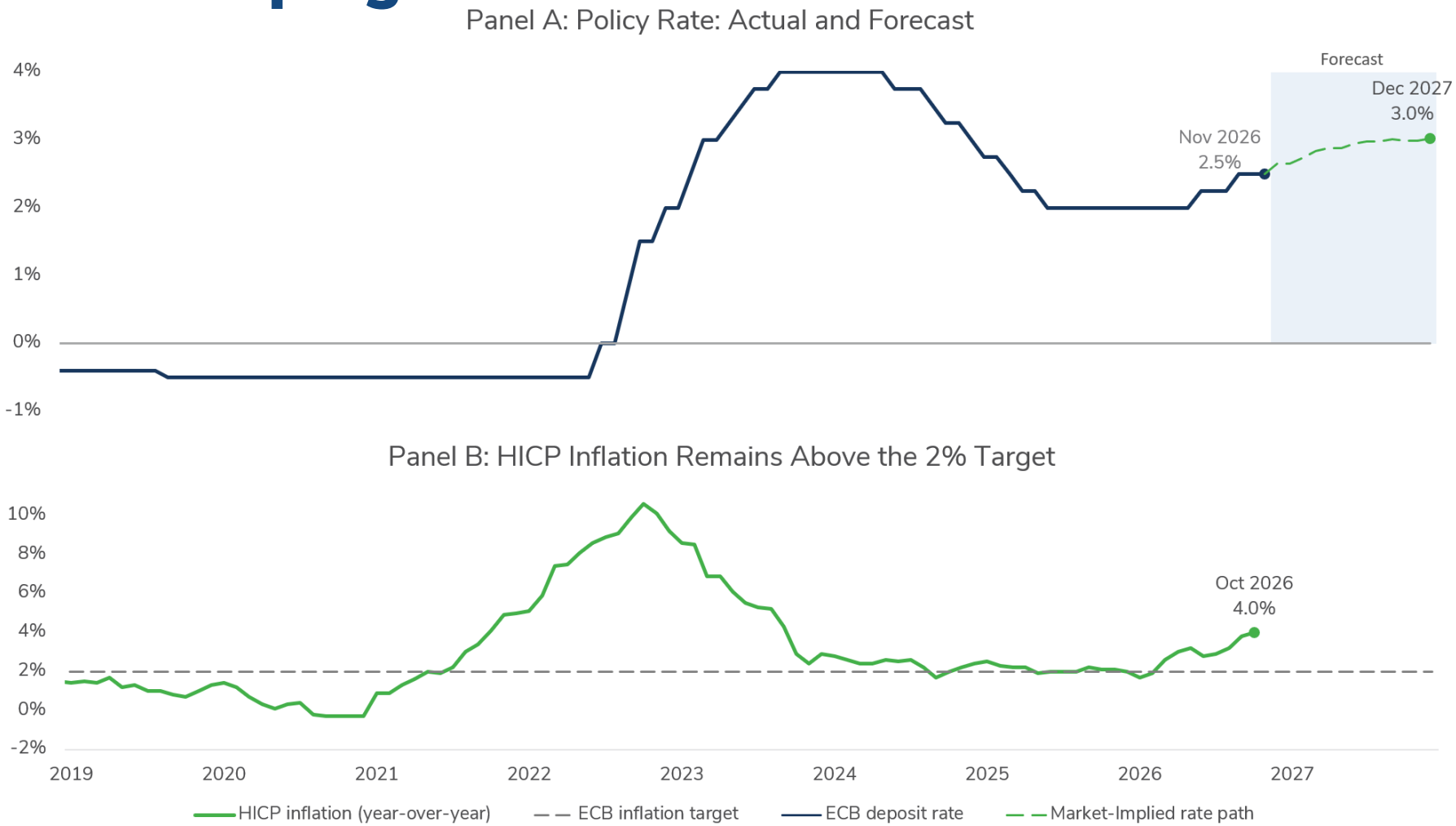




The Futures market is expecting 2 hikes by December 2027

Source: LSEG. Market implied rate path was collected on November 5, 2026, at 5:00 pm ET.

ECB Managed to Drive Back Inflation to Target, But Energy Shock Pushed Prices up Again

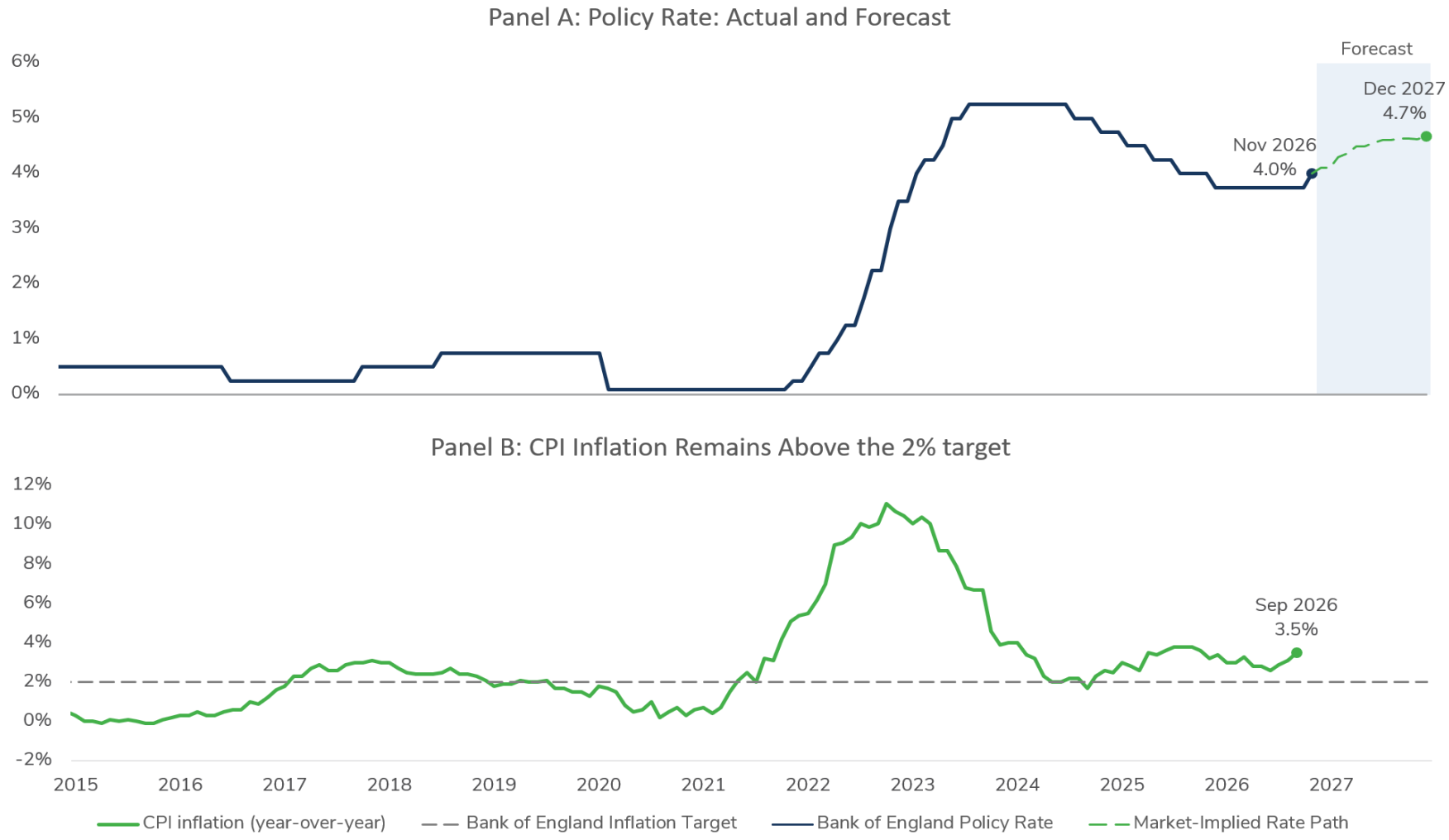


The Futures market is expecting 2 hikes by December 2027

Source: LSEG. Market implied rate path was collected on November 5, 2026, at 5:00 pm ET.

The Market Is Expecting the Bank of England to Raise Rates Aggressively to Fight Stubborn Inflation

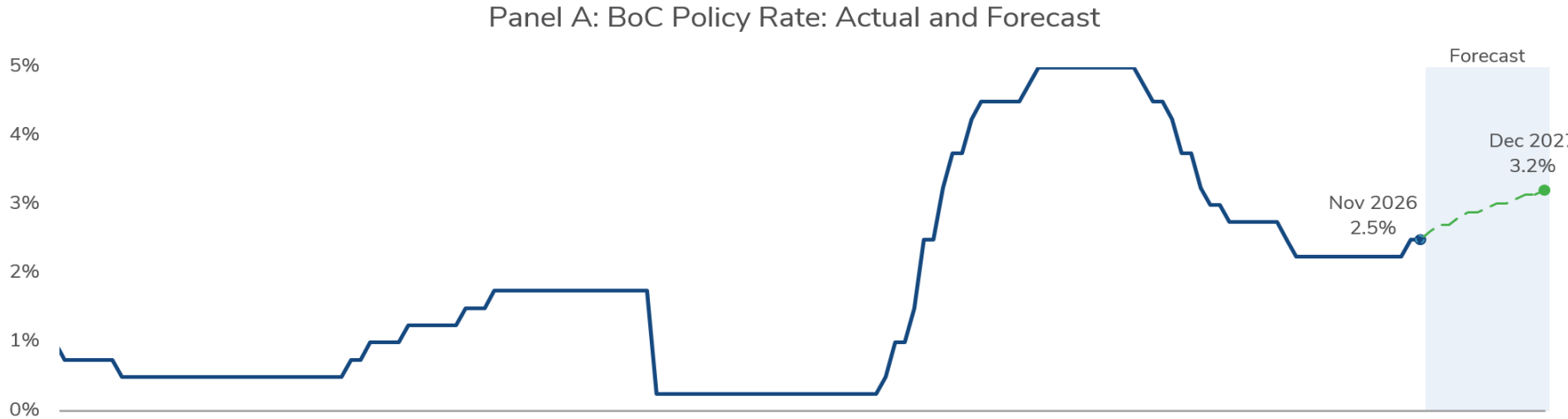


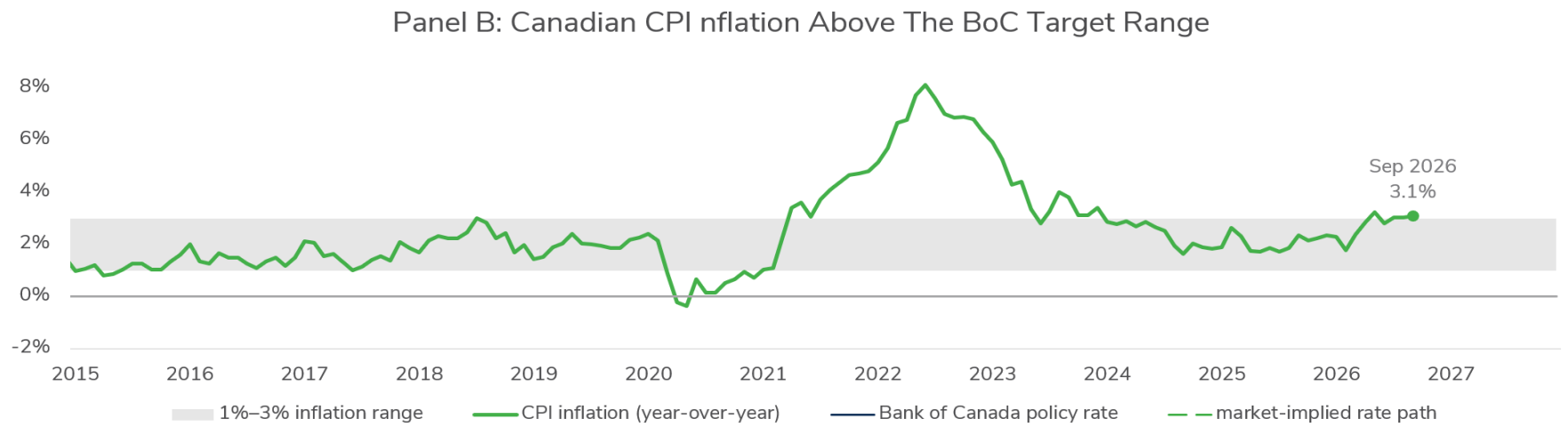


The Futures market is expecting 3 hikes by December 2027

Source: LSEG. Market implied rate path was collected on November 5, 2026, at 5:00 pm ET.

Bank of Canada Raised Rates Recently As Inflation Peeked Through the Target Band





The Futures market is expecting at 3 hikes by December 2027

Source: LSEG. Market implied rate path was collected on November 5, 2026, at 5:00 pm ET.

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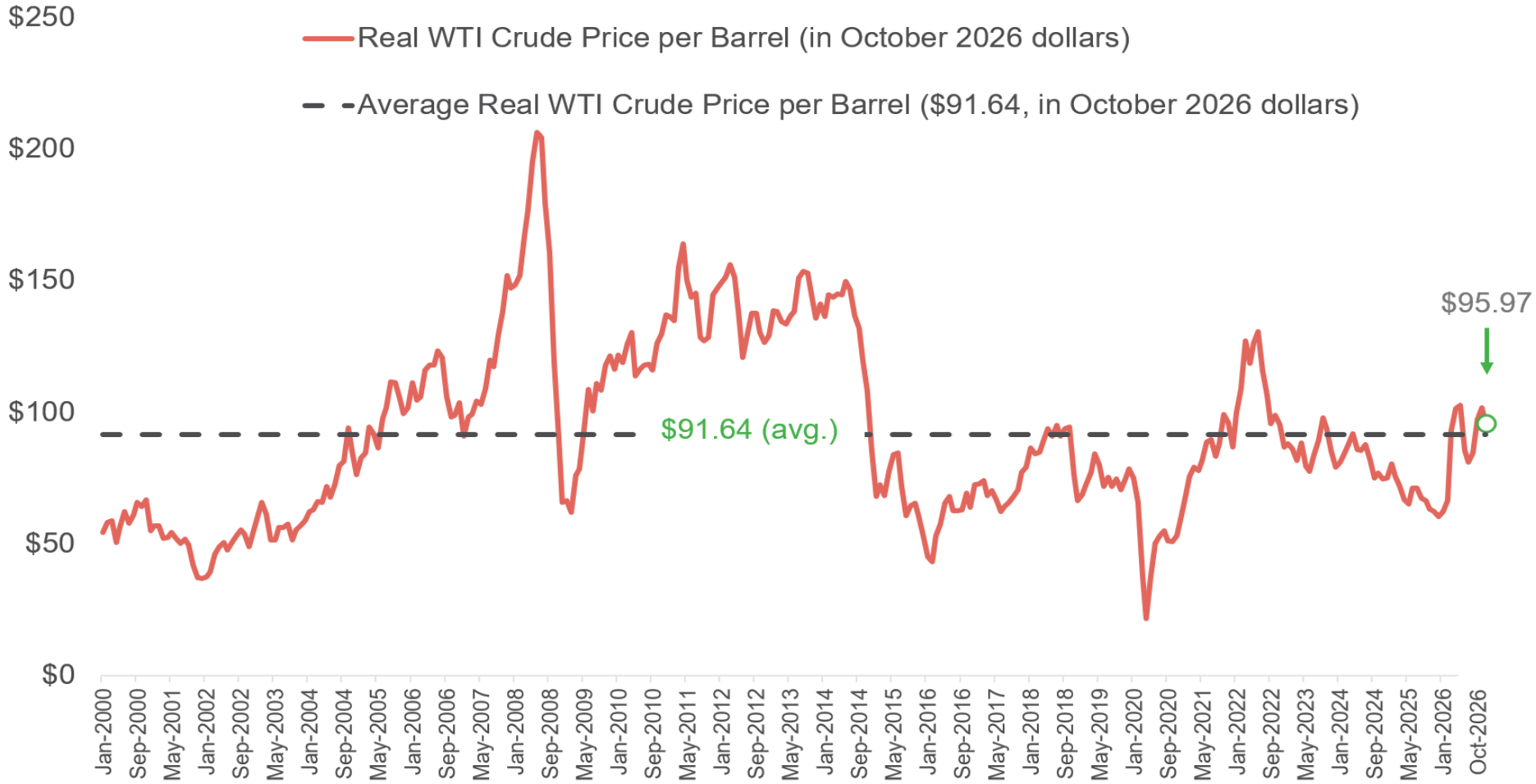
04

What The Fed Is Focused On Right Now? (hint: Energy)



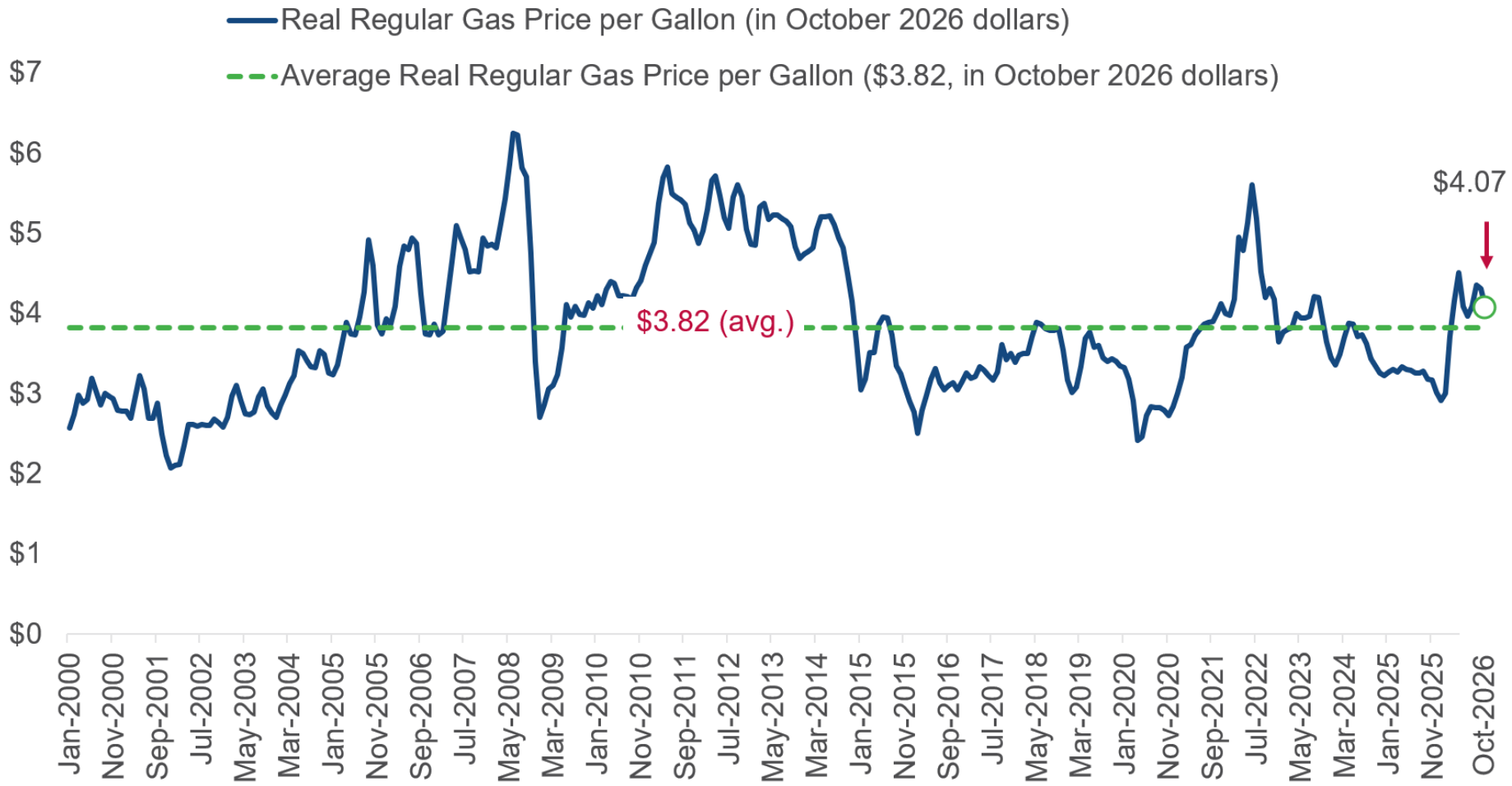
Real (i.e. Inflation-Adjusted) WTI Crude Price per Barrel (in Oct. 2026 $)



Source: U.S. EIA, WTI Cushing spot price, monthly average, January 2000–October 2026 (October preliminary). Real prices are in September 2026 dollars, deflated by the BLS CPI-U. Calculations by Kroll.

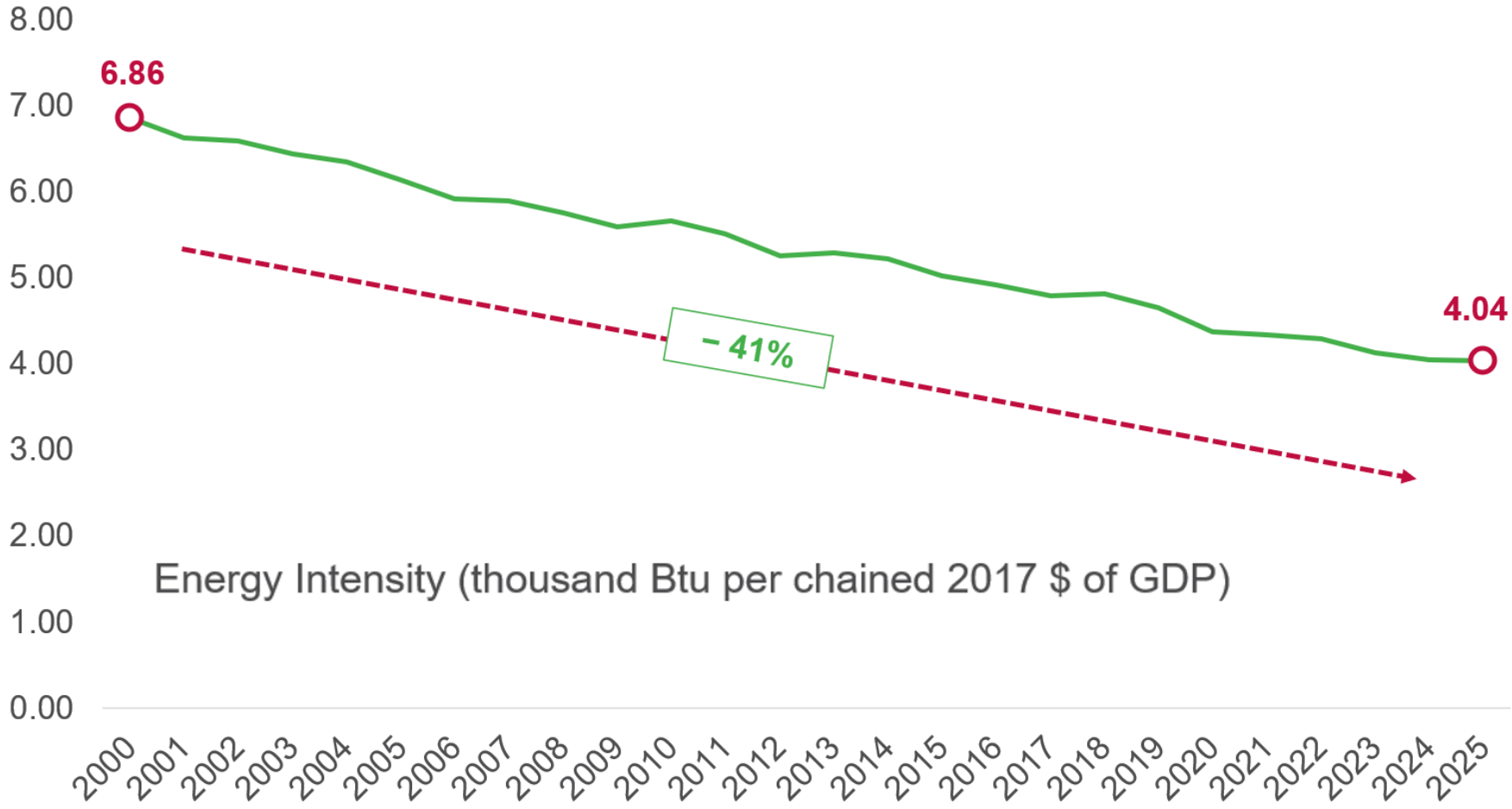
Real (i.e. Inflation-Adjusted) Regular Gas Price per Gallon (in Oct. 2026 $)





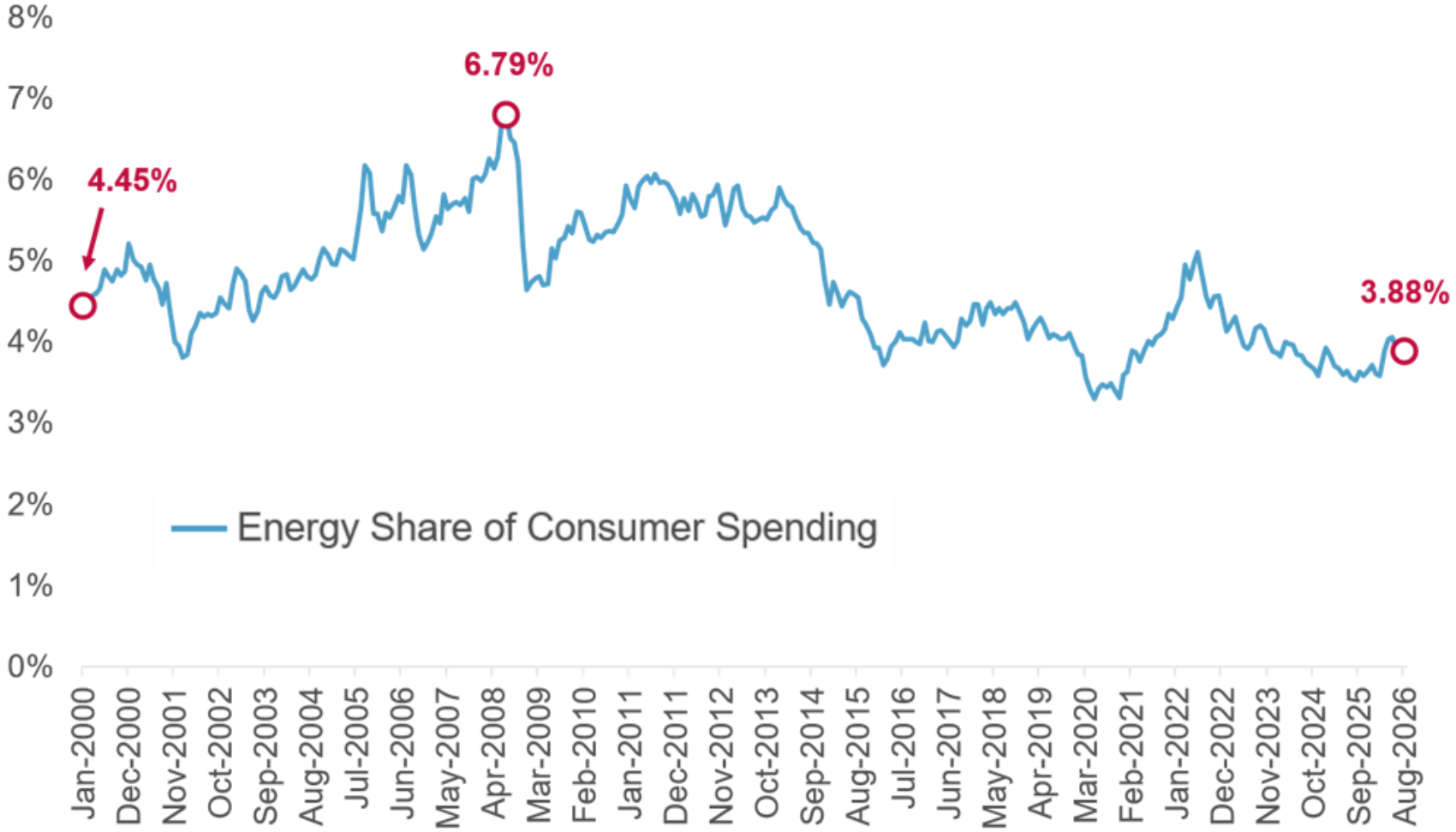
Source: U.S. EIA, U.S. regular gasoline retail price (all formulations), monthly average, January 2000–October 2026. Real prices are in September 2026 dollars, deflated by the BLS CPI-U. Calculations by the Kroll.

We Use Approximately 41% Less Energy in 2025 to Fuel Our Economy than We Did in 2000



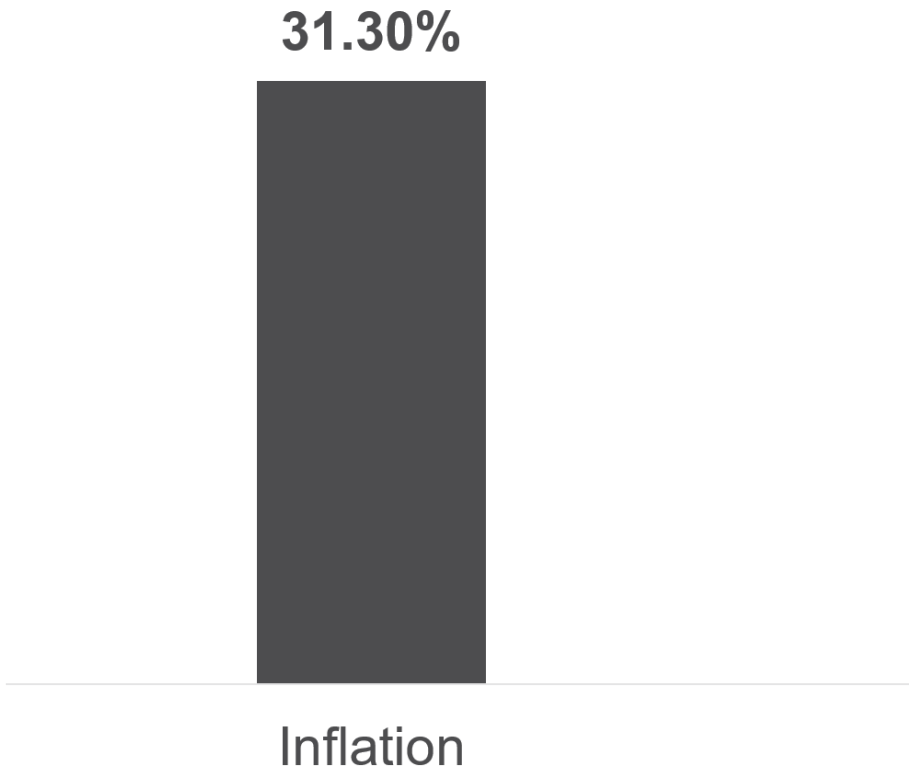
Source: U.S. EIA, Monthly Energy Review, Table 1.7, primary energy consumption per real dollar of GDP (thousand Btu per chained 2017 dollar), annual, 2000–2025. Real GDP from the BEA.

The Share Consumers Spend on Energy has Fallen Since 2000, Especially in the Last 10–15 Years



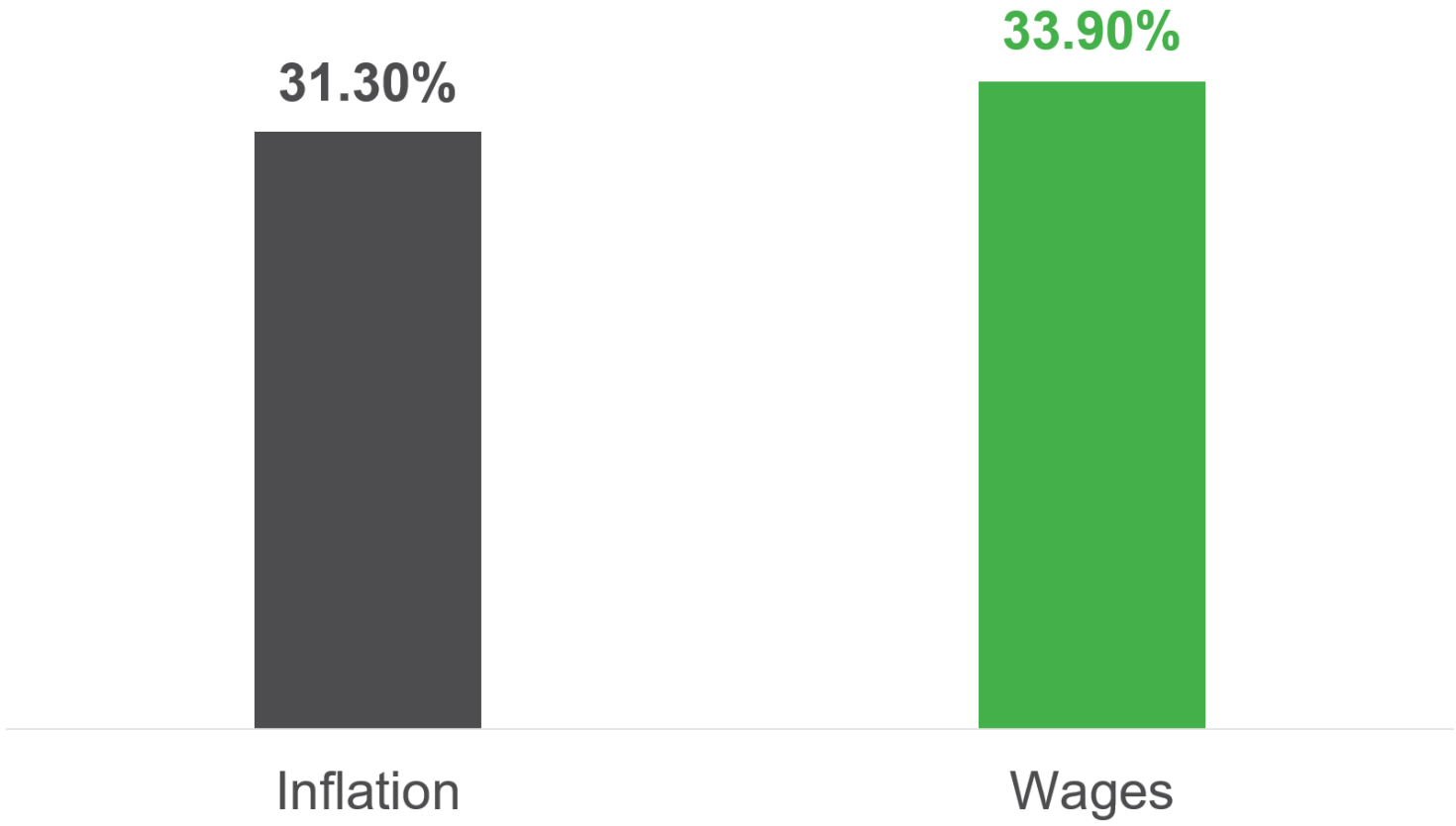
Source: U.S. BEA, personal consumption expenditures on energy goods and services as a share of total personal consumption expenditures, monthly, seasonally adjusted, January 2000–August 2026. Calculations by Kroll.

Inflation has Increased 31.3% from December 2019 (just before the start of COVID) through October 2026...Have Wages Caught Up Yet?



Source: Inflation: U.S. Bureau of Labor Statistics (BLS). “All items in U.S. city average, all urban consumers, not seasonally adjusted” (series CUUR0000SA0)

Inflation has Increased 31.3% from December 2019 (just before the start of COVID) through October 2026...Have Wages Caught Up Yet?



Source: Inflation: U.S. Bureau of Labor Statistics (BLS). "All items in U.S. city average, all urban consumers, not seasonally adjusted" (series CUUR0000SA0)

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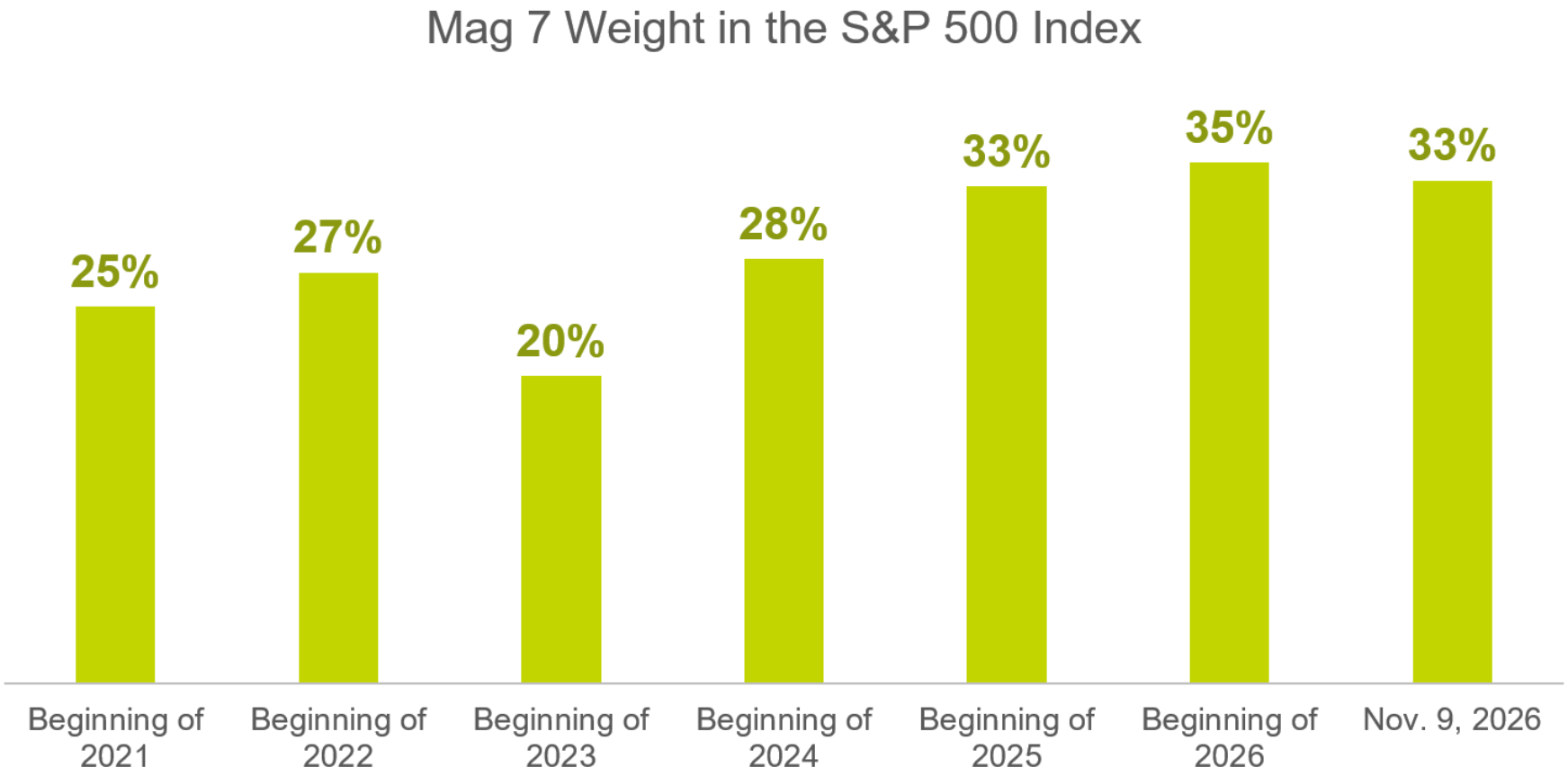
05

Equity Markets



The S&P 500 has Become Increasingly Concentrated



Source: Market caps: Refinitiv. The Mag 7 consists of: Nvidia Corp., Microsoft Corp., Apple Inc., Alphabet Inc., Amazon.com Inc., Meta Platforms Inc., and Tesla Inc. Weights based on full market classes' market caps; Alphabet Class A and C combined.

The Magnificent 7 has Driven the Market for Years



	S&P 500	Mag 7	S&P 500 ex-Mag 7	Mag 7 Effect
2021	28.7%	39.9%	25.0%	3.7%
2022	-18.1%	-40.0%	-9.8%	-8.3%
2023	26.3%	75.9%	13.7%	12.6%
2024	25.0%	48.2%	16.0%	9.0%
2025	17.9%	22.9%	15.4%	2.5%
2026 YTD	**11.3%**	**5.9%**	**14.2%**	**-2.9%**

Source: Total returns and market caps: Refinitiv. Data through November 9, 2026. Ex-Mag 7 returns derived daily from the official S&P 500 total return index, using prior-day market-cap weights. Mag 7 weights are measured against current S&P constituents. “Mag 7 Effect” is the S&P 500 return minus the S&P 500 ex-Mag 7 return.

A New Magnificent 7?



Magnificent 7	
Apple	Consumer devices
Microsoft	Software and cloud computing
Alphabet	Search, advertising and cloud computing
Amazon	E-commerce and cloud computing
Meta	Social media and advertising
Nvidia	AI chips
Tesla	Electric vehicles

New 7	
Micron	Memory chips
AMD	Processors and ai chips
Intel	Processors and chip manufacturing
SanDisk	Flash storage
Marvell	Custom and networking chips
Dell	Servers and pcs
Seagate	Data center hard drives

Platforms

Primarily platform businesses that sell software, services and devices to consumers and businesses at large scale (Nvidia – a chip designer – is the exception).

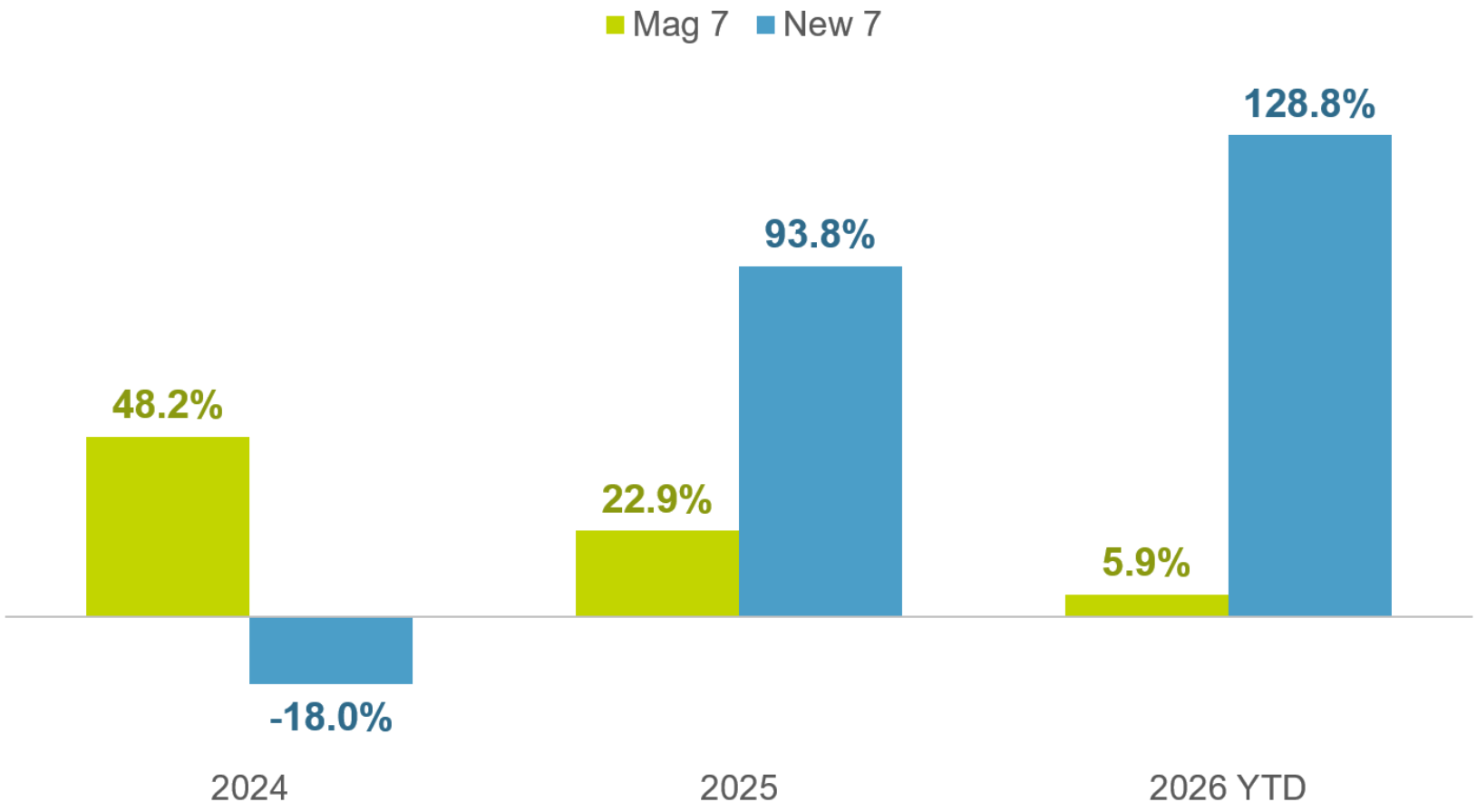
Several are among the largest buyers of AI data center hardware.

Suppliers

Primarily hardware suppliers of the memory, storage, processors and servers inside AI data centers.

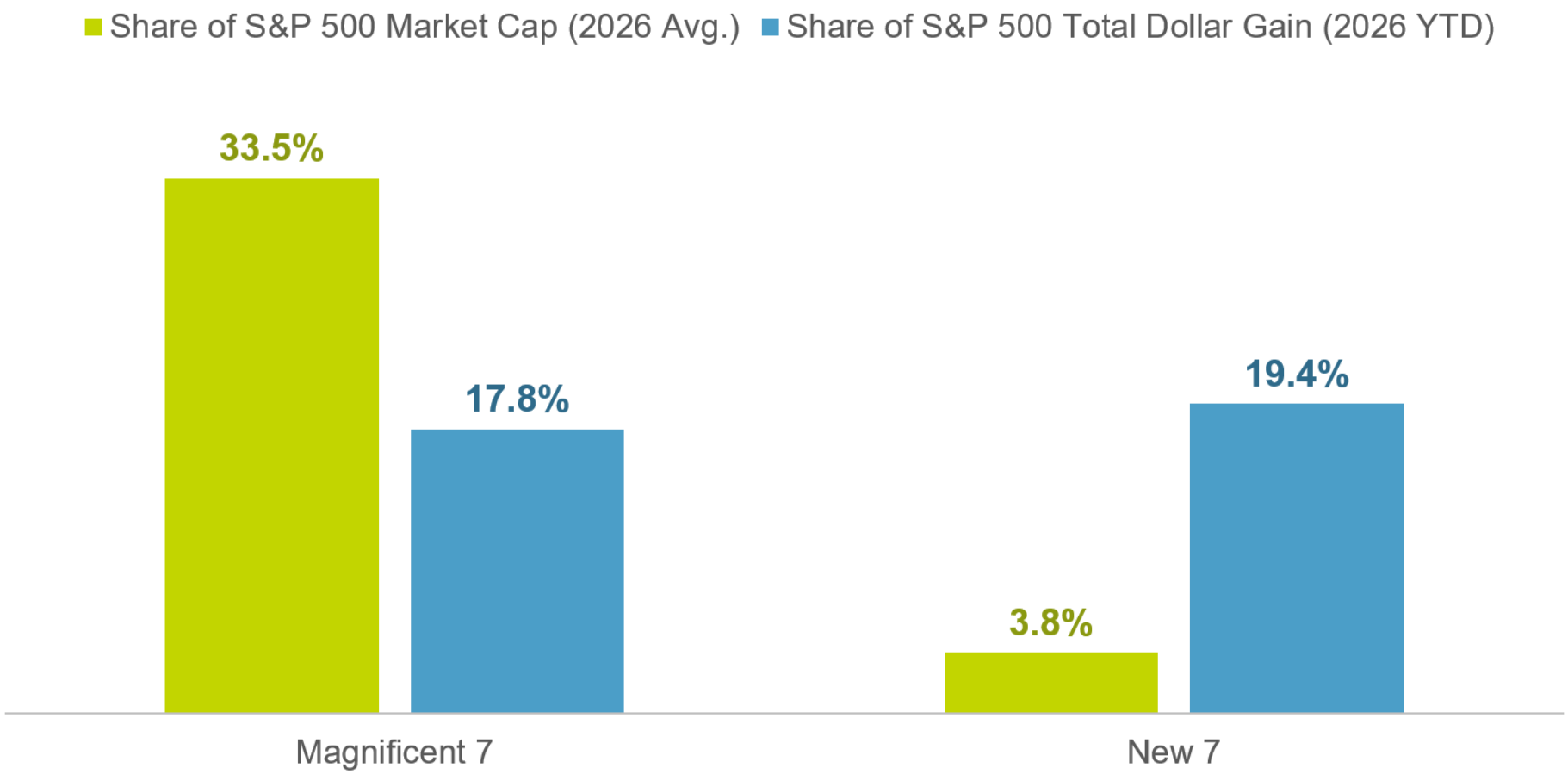
These businesses are typically more cyclical than platform businesses.

The “New 7” Led the Market in 2025 and 2026 (YTD)



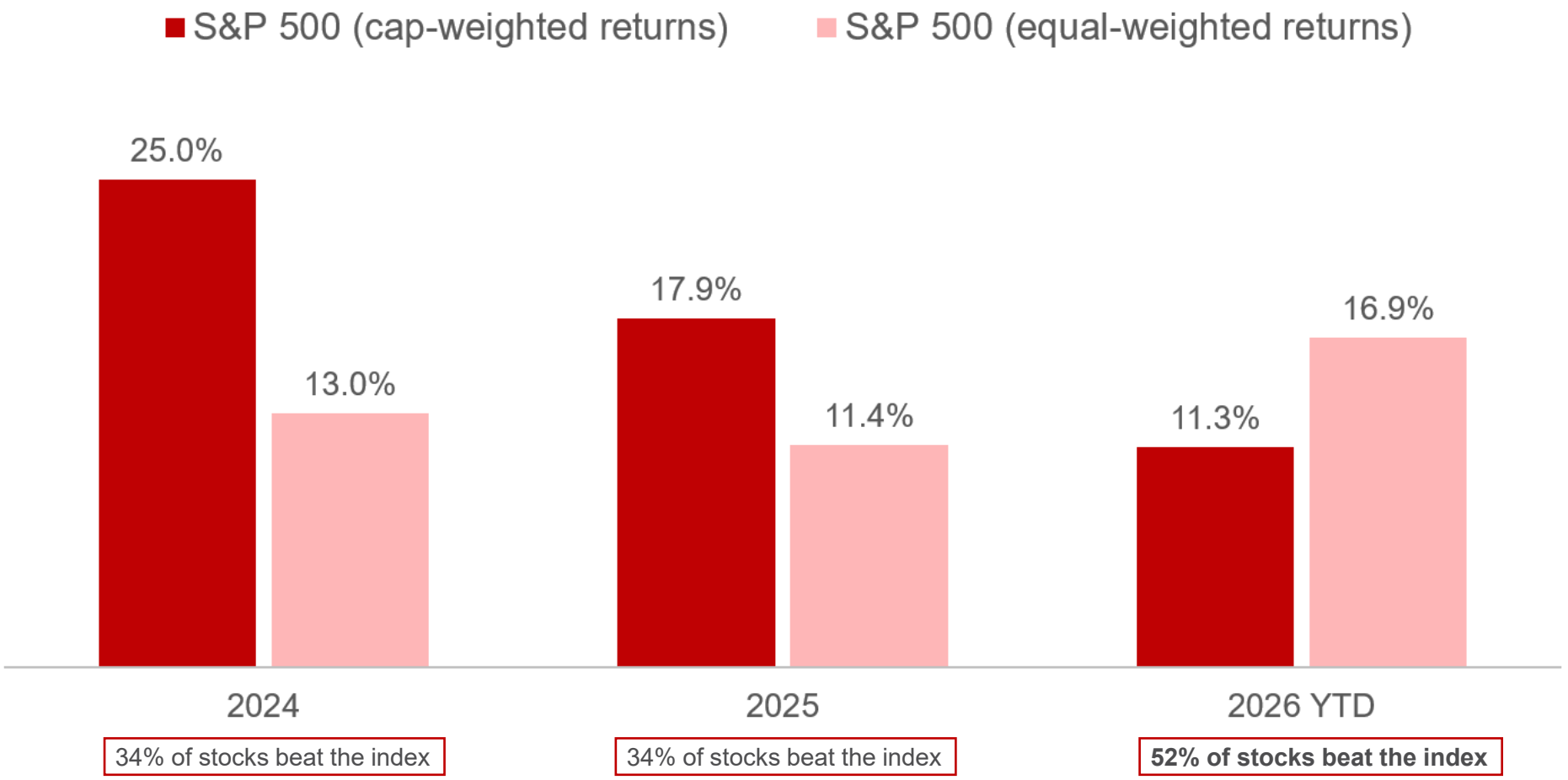
Source: Total returns and market caps: Refinitiv. Data through November 9, 2026.

The “New 7” Punches WAY Above Its Weight



Source: Total returns and market caps: Refinitiv. Data through November 9, 2026.

Market Breadth Has Improved



Source: Total returns: Refinitiv. Data through November 9, 2026. Share of stocks beating the index is based on the existing composition of the S&P 500 as of November 9, 2026.

Has the Magnificent 7 Been Replaced?

As market leaders:

Yes, at least in 2026 YTD. The New 7 returned 128.28%, compared with 5.9% for the Magnificent 7.

As the market's center of gravity:

Not yet. A 10% move in the Magnificent 7 moves the S&P 500 approximately 3.4 percentage points. The same move in the New 7 moves it approximately 0.4. Leadership has broadened, but one strong year does not establish a new regime.

The New 7 won the year.

The Magnificent 7 STILL determine where the index goes.

Why Does Market Concentration Matter for Cost of Capital?

The market proxy behind CAPM (typically the S&P 500 in the U.S.) is *less* diversified than it was historically. As an Analyst, you need to understand what is driving the inputs.

Beta

Betas are typically estimated against the S&P 500, an index in which seven companies represent approximately one-third of the weight. In other words, beta may partly measure co-movement with a few large technology companies, not with the broad market.

The “Mag 7 Effect” varies over time: The Mag 7 led in 2023–2025 and lagged in 2026. This variance in the Mag 7 Effect effects beta calculations.

Equity risk premium

Historical ERP estimates using the S&P 500 can be influenced by the performance and market caps of just a few companies.

Size premium

Mega-caps outperformed in 2023–2025, but the equal-weighted index outperformed in 2026. Short-term size effects can reverse.

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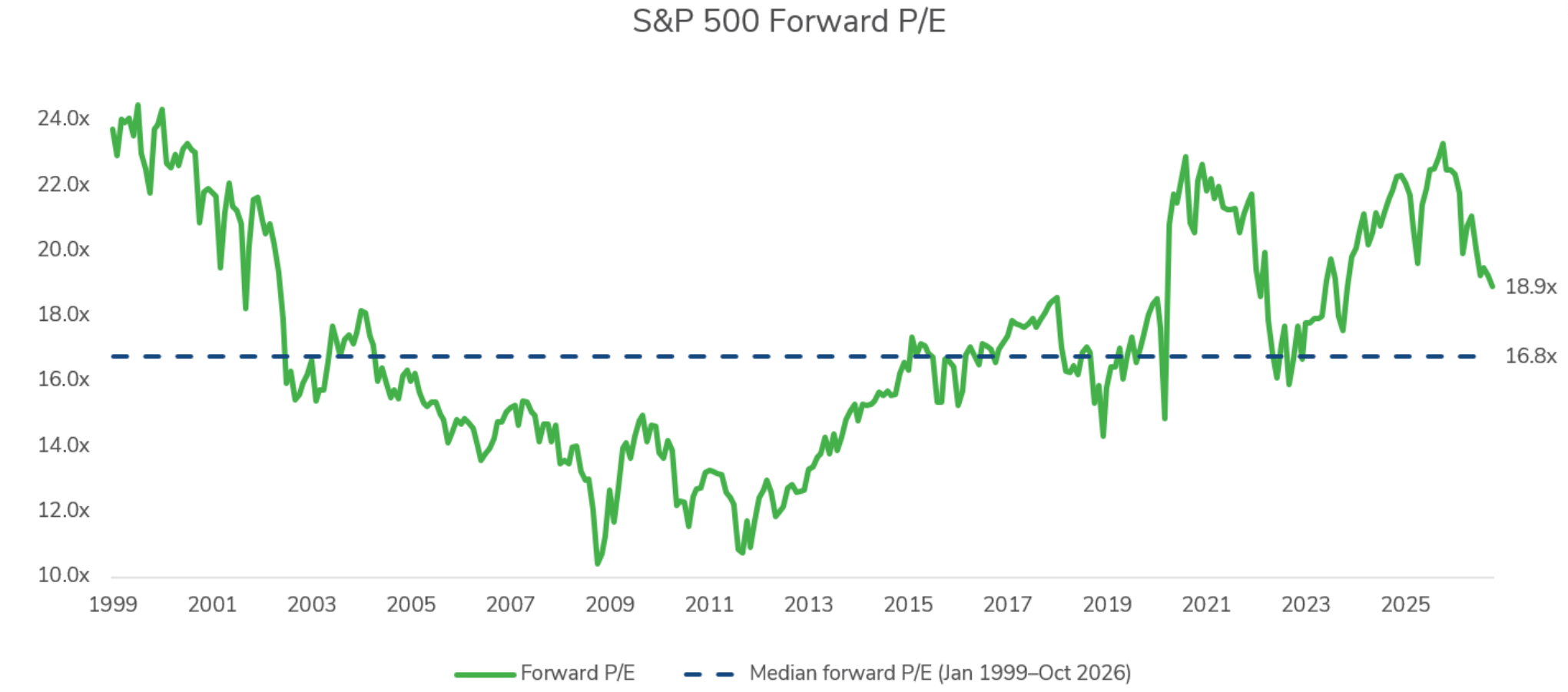
06

Equity Valuations



S&P 500 Forward P/E Has Declined but Remains Above Its Historical Median



Source: LSEG I/B/E/S; Kroll calculations.

Expected S&P 500 Earnings Growth Is Nearly Twice Its Historical Median

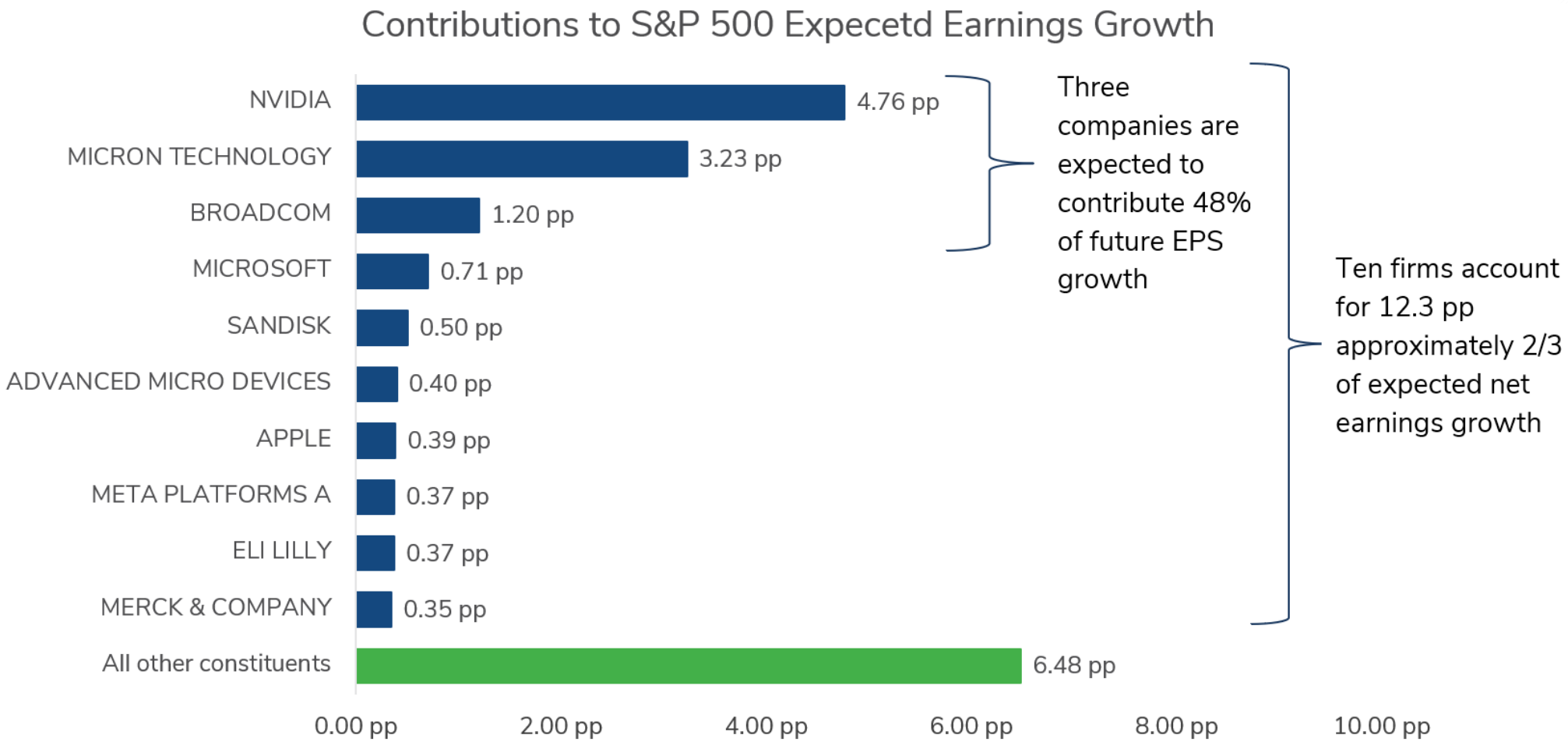




Source: LSEG I/B/E/S; Kroll calculations. Expected EPS growth = [(12-month forward S&P 500 EPS ÷ trailing 12-month S&P 500 EPS) − 1]. The dashed line represents the median over the period shown.

Semiconductor Firms Are Expected to Dominate the Future S&P 500 EPS Growth





Source: LSEG I/B/E/S; Kroll calculations. Each constituent's contribution to expected S&P 500 earnings growth is calculated as (firm forward earnings – firm trailing earnings) ÷ total S&P 500 trailing earnings. Contributions are calculated from constituent-level earnings estimates; totals may differ from the published index aggregate due to index aggregation and rounding.

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07

U.S. Equity Risk Premium



The Kroll Recommended ERP is a Two-Step Process

STEP 1: What is a reasonable range of unconditional ERP that can be expected over an entire business cycle?

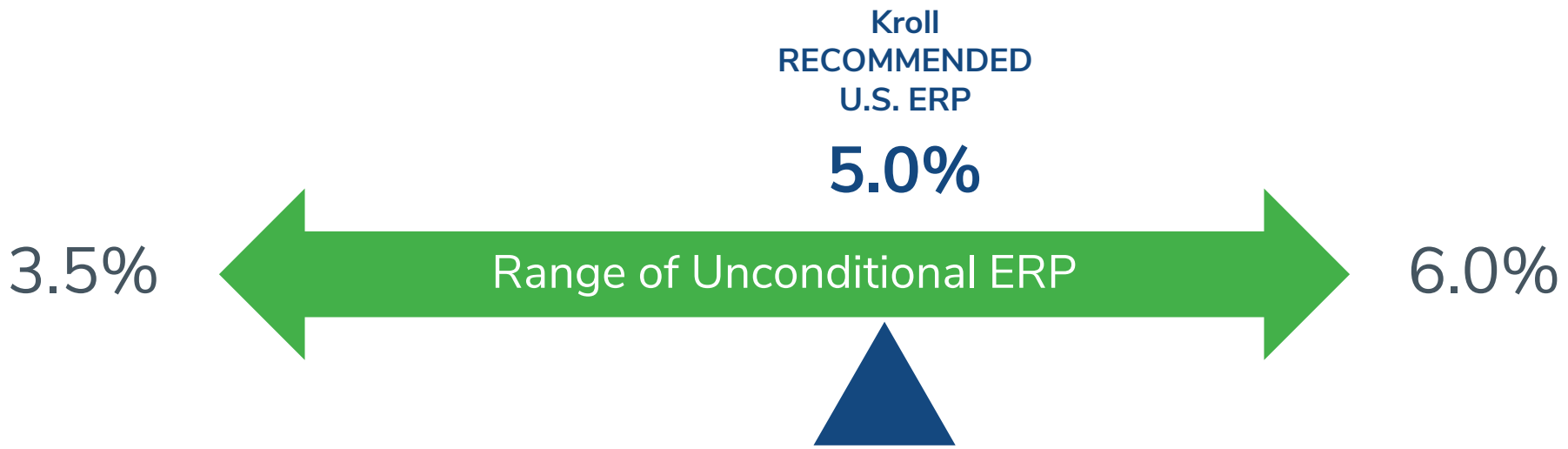
"What is the range?"

STEP 2: Research has shown that ERP is cyclical during the business cycle. We use the term conditional ERP to mean the ERP that reflects current market conditions.

"Where are we in the range?"

Kroll Considers Multiple Models to Estimate U.S. ERP

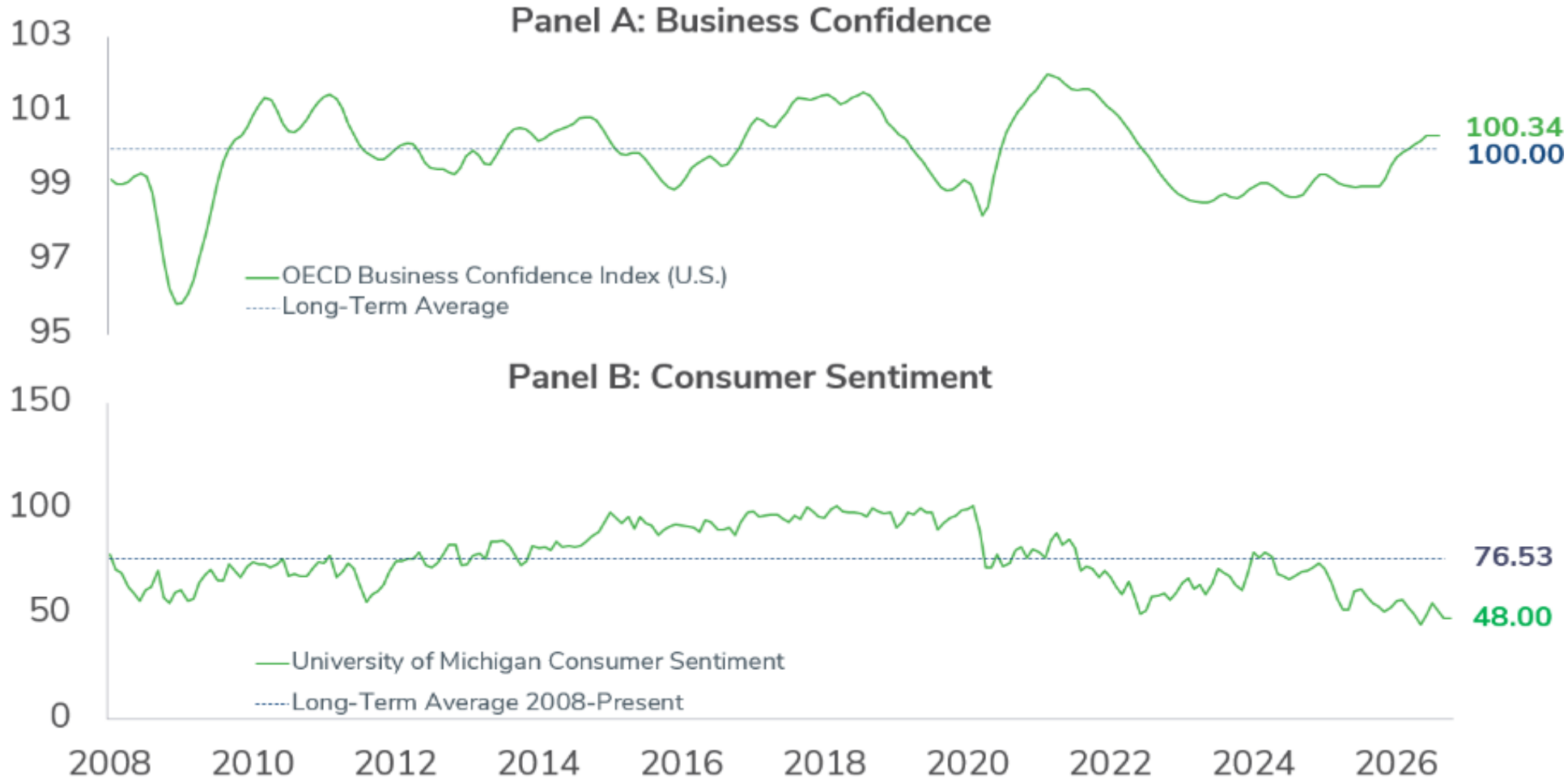
Current Guidance is 5.0% as of September 2, 2025



Kroll lowered its Recommended U.S. ERP from 5.5% to **5.0%** when developing USD denominated discount rates as of September 2, 2025, and thereafter, until further notice. This is matched with the spot 20- year U.S. Treasury yield as of the valuation date. For more information visit: https://www.kroll.com/en/insights/cost-of-capital

Business Confidence vs Consumer Confidence: U.S.

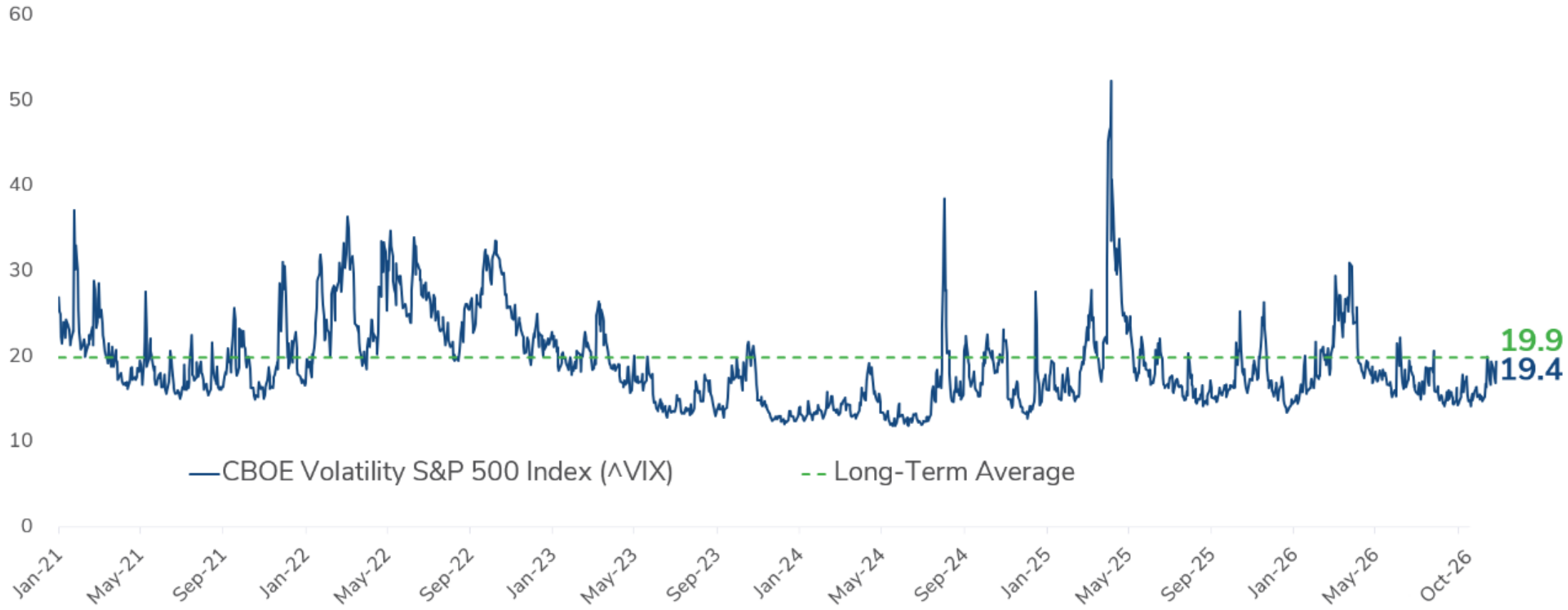
January 1, 2008 – October 30, 2026



Source: OECD, University of Michigan

US VIX Volatility Index

January 4, 2021 – October 30, 2026



Source: Capital IQ

Long-term View on Unemployment

January 31, 1948 – October 30, 2026



Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted series

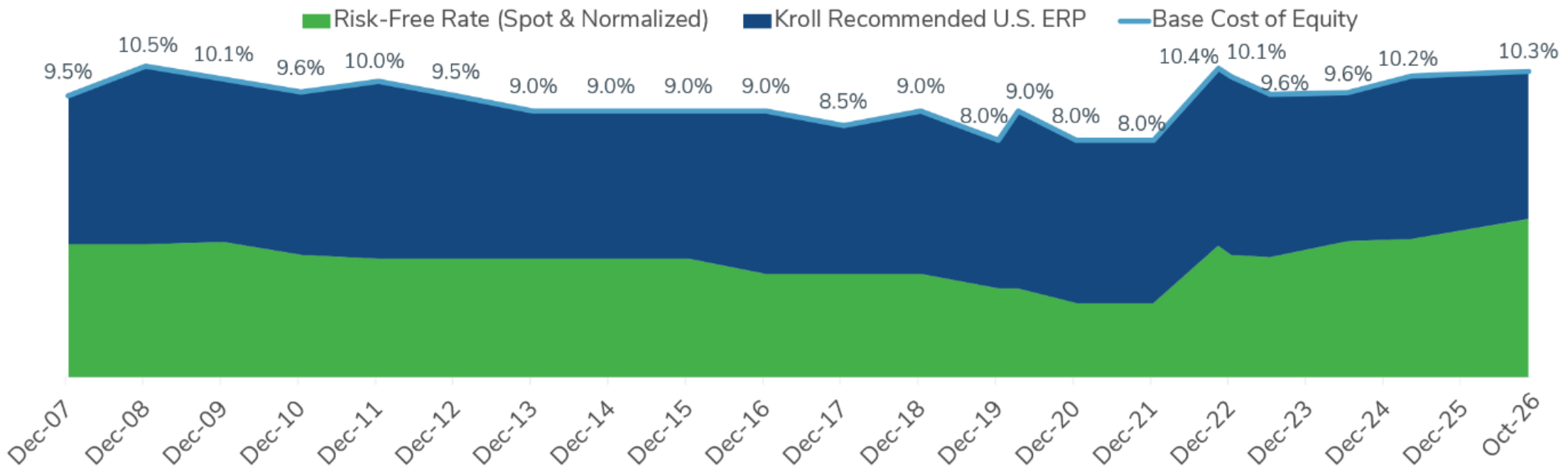
Factors Considered in U.S. ERP Recommendation – Summary Table

Changes from September 2, 2025 to **October 30, 2026**

	Factor	Change	Effect on ERP
Financial Markets	U.S. Equity Markets	▲	▼
	Implied Equity Market Volatility	▲	▲
	Corporate Credit Spreads	▲	▲
	Damodaran Implied ERP Model	◀▶	◀▶
	Default Spread Model	◀▶	◀▶
	U.S. Equity Market Uncertainty Index	▼	▼
Economic Indicators	Historical & Projected Real GDP Growth	▲	▼
	Unemployment	◀▶	◀▶
	Consumer Sentiment	▼	▲
	Business Confidence	◀▶	◀▶
	Economic Policy Uncertainty (EPU) Index	▼	▼

Current U.S. Risk-free Rate (Normalized or Spot) and ERP Recommendations

As of October 30, 2026



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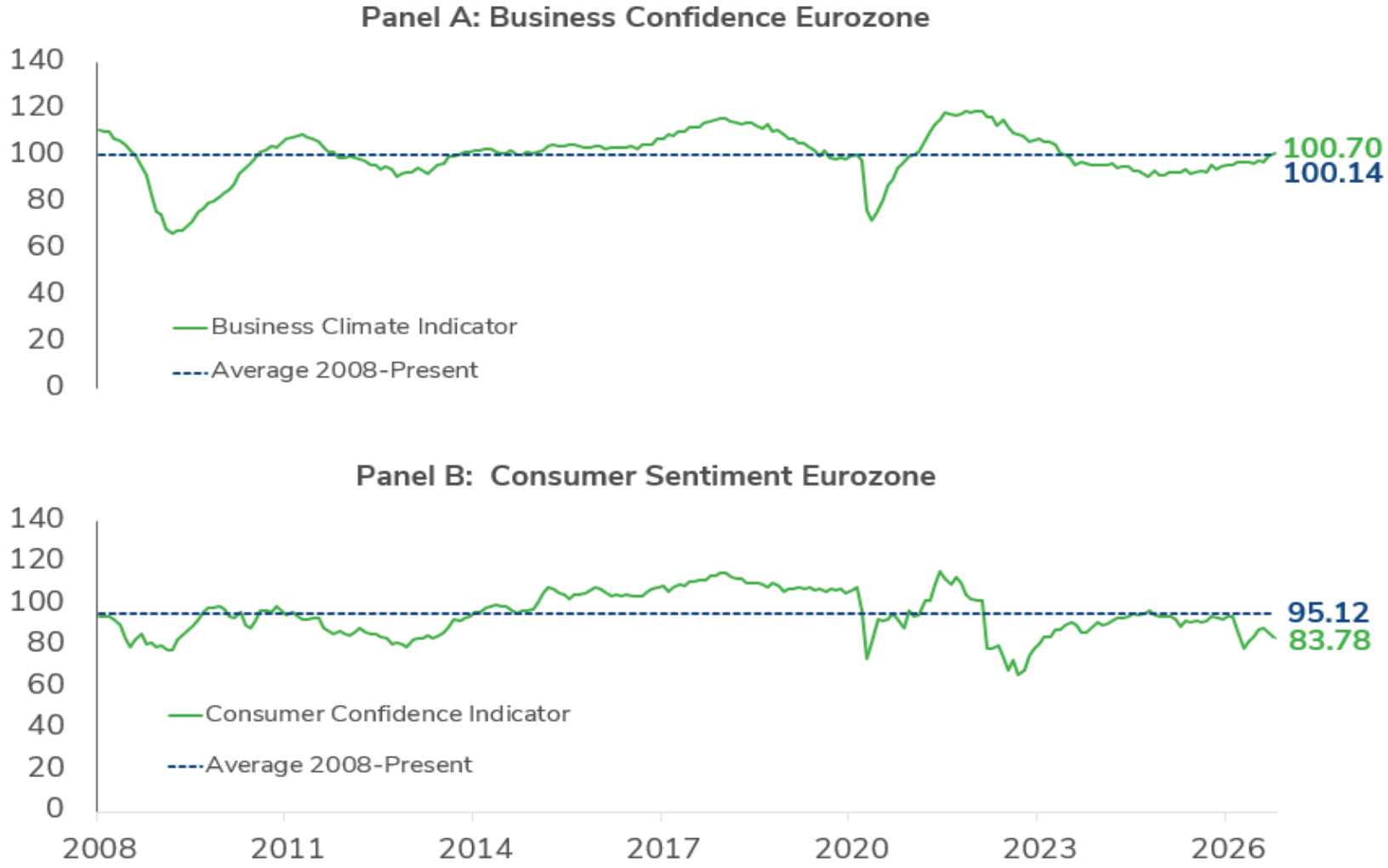
08

Eurozone Equity Risk Premium



Business Confidence vs Consumer Confidence: Eurozone

January 31, 1985 – October 30, 2026



Source: European Commission

VSTOXX 60 Volatility Index

Data as of October 30, 2026



Source: Capital IQ

Factors Considered in Eurozone ERP Recommendation – Summary Table

Changes from September 2, 2025 to **October 30, 2026**

	Factor	Change	Effect on ERP
Financial Markets	European Equity Markets	▲	▼
	Implied Equity Market Volatility	▲	▲
	Corporate Credit Spreads	▲	▲
	Dividend Discount Model Implied ERP	▲	◀▶
	Default Spread Model	▲	▲
Economic Indicators	Historical & Projected Real GDP Growth	▲	▼
	Unemployment	◀▶	◀▶
	Consumer Sentiment	▼	▲
	Business Confidence	▲	▼
	Sovereign Credit Ratings	◀▶	◀▶
	Economic Policy Uncertainty (EPU) Index	▼	▼

Kroll Recommended Eurozone Equity Risk Premium

Current Guidance as of September 2, 2026

German Investor Perspective applied to EUR-Denominated Projections

	31 Dec 2021	31 Dec 2022	31 Dec 2023	31 Dec 2024	31 Dec 2025	02 Sep 2026
Risk-Free Rate – Germany *	1.5%	3.0%	3.0%	2.6%**	3.3%**	3.7%***
Eurozone Equity Risk Premium Recommendation	5.5% to 6.0%	5.5% to 6.0%	5.5% to 6.0%	5.5% to 6.0%	5.5% to 6.0%	5.0% to 5.5%
Base Cost of Equity	**7.0% to 7.5%**	**8.5% to 9.0%**	**8.5% to 9.0%**	**8.1% to 8.6%**	**8.8% to 9.3%**	**8.7% to 9.2%**

* Based on the Kroll Normalized Risk-free Rate for Germany, unless otherwise indicated. Some countries may have regulations or guidelines that preclude the use of normalized risk-free rates. The Kroll approach does not supersede such local guidance. In Germany, for instance, the IDW (Institute of German Chartered Accountants) created a committee (FAUB) whose function is to issue guidance regarding (company) valuation topics. Under FAUB guidance, when estimating cost of capital using CAPM, a spot risk-free rate (Svensson method) should be used, while the ERP will change over time to reflect changes in the risk aversion.

** As of the valuation date, the Normalized Risk-free Rate recommendation states that the higher of either the 15-year German government bond yield or the Normalized Risk-free Rate should be used. In this case, the 15-year spot rate is higher than the Normalized Risk-free Rate.

*** We recommend using the spot 15-year German government bond yield as the proxy for the risk-free rate when developing EUR-denominated discount rates.

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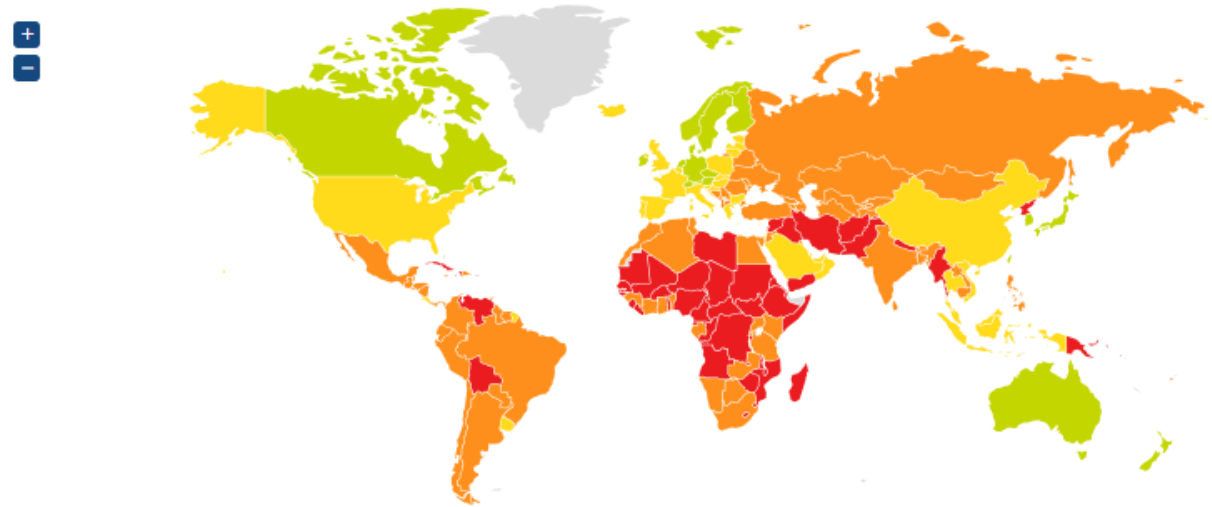
09

Country Risk Trends



Global Heat Map - Country Risk

Our global heat map illustrates risk across all countries, as well as a summary of country risk data by region from our three country risk models. Hover over the map to get a risk rating by country, slide the bar to see how by country risk changes over the time, or click here to get full country risk premia data by country in the International Cost of Capital Module.



Displaying Data as of September 30, 2026

Sep 2026

- Very High Risk
- High Risk
- Medium Risk
- Low Risk
- Very Low Risk
- Data not Available

Ranking of risk based on each country's country risk index score. Starting in March 2023, scores are sourced from BMI, a Fitch Solutions Company. For more information on BMI, visit: https://www.fitchsolutions.com/bmi/country-risk-service. Prior to March 2023, scores were sourced from Euromoney Country Risk (ECR). Euromoney has discontinued its ECR product. Risk level for each country was assigned based on BMI's country risk scores (as adjusted by Kroll), calibrated to follow a similar methodology to that previously employed by Euromoney when ranking ECR score by risk level.

Country risk premia and relative volatility factors based on data extracted from the three international cost of capital models currently supported in the Cost of Capital Navigator's International Cost of Capital Module.

Median Country Risk Premium (CRP) and Relative Volatility (RV) Factors in USD by Region*

	CYS	CCR	RV
North America	0.0%	0.0%	1.0
Latin America and Caribbean	2.1%	3.4%	1.7
Europe	0.6%	0.6%	1.2
Africa	4.4%	5.4%	1.9
Middle East	2.3%	2.1%	1.0
Asia-Pacific	1.6%	3.4%	1.2

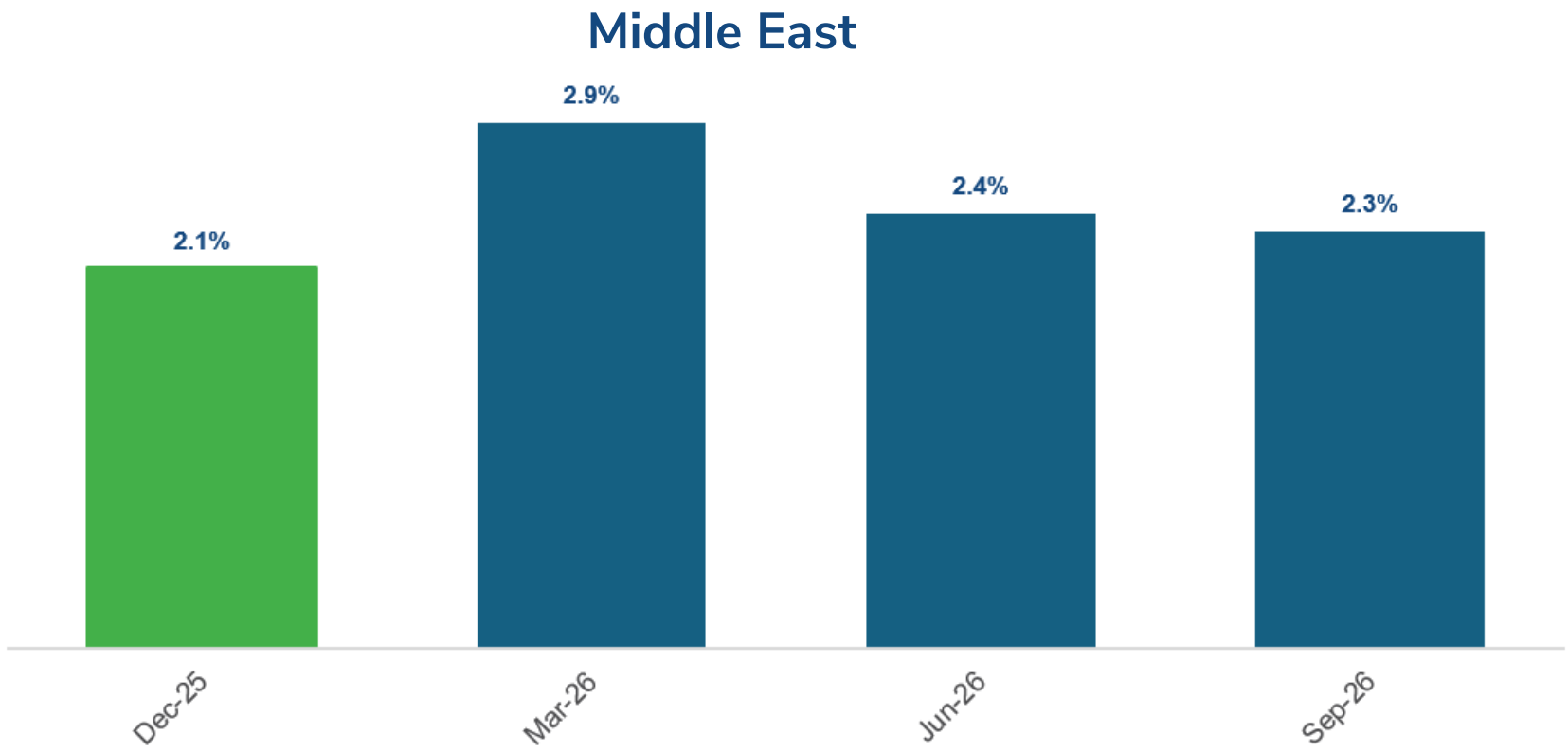
CYS = Country Yield Spread Model

CCR = Country Credit Rating Model

RV = Relative Volatility Model

Country Risk Premia Pre-and Post War

Country Yield Spread Model from a United States (USD) investor perspective*



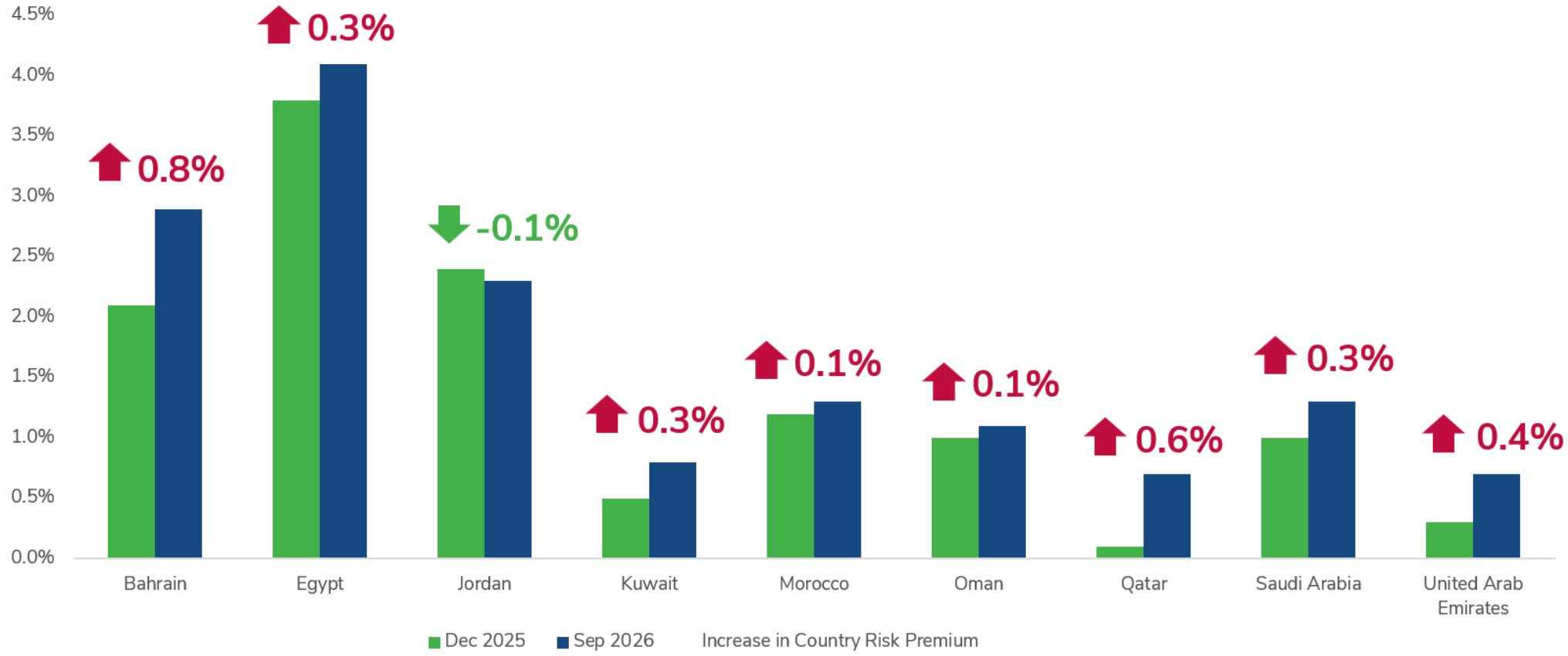
* Based on the median country risk premia within geographic region.

International Cost of Capital Module | https://www.kroll.com/en/cost-of-capital/international-cost-of-capital

Get insights like these and more in the Cost of Capital Navigator.

Country Risk Premium Before and After the War ($USD)

Country Yield Spread Model from a USD investor perspective. Data as of September 30, 2026



International Cost of Capital Module | https://www.kroll.com/en/cost-of-capital/international-cost-of-capital

Takeaways

- U.S. consumer spending continues to support growth despite its gloomy outlook on the economy.
- AI investment adds support, but its contribution remains narrower and more uncertain than headline narratives suggest.
- Euro area domestic spending has held up while weak net exports have constrained growth.
- Tariffs caused less disruption to activity than initially expected, but they added to the price level. Renewed energy and diesel-price pressures create a further risk to underlying inflation.

Takeaways

- Markets expect inflation to ease over time, but elevated fiscal deficits, higher sovereign yields, and geopolitical uncertainty leave little room for complacency.
- If the energy shock persists longer than expected, inflation could remain elevated or rise further.
- Most central banks are expected to raise rates to counter the effect of inflation.
- U.S. equity valuations remain reliant on unusually strong and concentrated earnings growth.

Takeaways

Kroll continues to monitor economic and market conditions. Its current equity risk premium recommendations remain unchanged, at this time, for both the U.S. and Eurozone



About Kroll

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